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FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS APPROPRIATIONS FOR FISCAL YEAR 1990

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

H.R. 2939/H.R. 3743

AN ACT MAKING APPROPRIATIONS FOR FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1990, AND FOR OTHER PURPOSES

Part 2 (Pages 1–449)

NONDEPARTMENTAL WITNESSES

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FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1990

TUESDAY, JULY 11, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 2:45 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Tom Harkin (chairman) presiding.

Present: Senators Harkin and D'Amato.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF SENATOR HARKIN

Senator **HARKIN.** The Foreign Operations Subcommittee will come to order.

Today, the Foreign Operations Subcommittee will hear testimony from public witnesses on a broad range of topics covered in the foreign assistance bill. Chairman Leahy is engaged in the impeachment trial of Judge Hastings, and I have agreed to chair this hearing today for him.

Over 50 persons and organizations have requested an opportunity to testify, and with your cooperation we will hear from about half of them this afternoon. The chairman will schedule a second hearing in the near future to accommodate the remaining public witnesses. Everyone who wishes will be given an opportunity to present testimony to the Foreign Operations Subcommittee.

The chairman has requested that you limit your prepared statements to no more than 5 pages and your presentation this afternoon to no more than 4 minutes, so please observe the timing lights here.

I want to assure everyone that the record of this hearing, both oral and written statements, will be made available to every member of the Senate.

On behalf of Chairman Leahy and myself, I want to thank all of you for taking the effort to bring your views to the attention of the subcommittee. I ask that a statement by Chairman Leahy be included in the record.

[The statement follows:]

STATEMENT OF SENATOR PATRICK LEAHY

The public witnesses hearing is one of the most useful and important of the hearings the Foreign Operations Subcommittee conducts every year on the executive branch's budget request for foreign assistance.

From the representatives of organizations and groups involved in foreign assistance, and from concerned American citizens, we gain new insights. Free from official justifications and agency vested interests, the subcommittee gets a different and invaluable perspective on a broad range of issues in U.S. foreign assistance programs.

I regret very much that my duties as a member of the Senate impeachment panel trying Judge Hastings prevents me from chairing this hearing today. My very good friend, Senator Tom Harkin, has graciously agreed to chair it in my place. With his strong interest in foreign assistance and related foreign policy issues, the witnesses could ask for no more active and concerned member of the subcommittee in the chair than Tom Harkin.

ASSISTANCE FOR THIRD WORLD

Senator HARKIN. We will begin this afternoon with the first panel addressing special assistance needs of the Third World, particularly energy. Participating in this panel are Bob Bergland, executive vice president of the National Rural Electrification Cooperative Association and, I might add, a former colleague of mine in the House and a former Secretary of Agriculture; Fruzsina Harsanyi of the working group on U.S. technology and Third World power crisis; and Wallace Campbell, chairman of the U.S. overseas cooperative development committee.

I welcome you all to the subcommittee. In order called, I would first recognize my great friend and the executive vice president of the NREC, Mr. Bergland.

STATEMENTS OF:

BOB BERGLAND, EXECUTIVE VICE PRESIDENT, NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION

FRUZSINA HARSANYI, VICE PRESIDENT, GOVERNMENT AFFAIRS, COMBUSTION ENGINEERING, INC., ON BEHALF OF THE WORKING GROUP ON U.S. TECHNOLOGY AND THIRD WORLD POWER CRISIS

WALLACE CAMPBELL, CHAIRMAN, U.S. OVERSEAS COOPERATIVE DEVELOPMENT COMMITTEE

STATEMENT OF BOB BERGLAND

Mr. BERGLAND. Thank you, Mr. Chairman, very much. I have butchered a very excellent statement to boil this down to 4 minutes, but I hope you read what we have prepared because it is well done. Everything I have taken out is worth reading, but I am going to respect your 4-minute time rule.

Senator HARKIN. I assure you because of my affection for you and my close association with NERC I will read the entire thing.

Mr. BERGLAND. Thank you.

There is no doubt the rural electrification program in the United States is the greatest rural development scheme that has been developed since the land grants. It is enormously beneficial to the communities of the United States. We are taking this lesson and translating it into foreign developing countries. I want to talk briefly about this program, which has been on a very limited scale but is very successful.

It is funded by AID and other banks and other agencies, but AID has been the principal provider of small amounts of money to make this thing happen.

We appreciate this committee's continuing support for the energy component in the rural electrification part of the AID budget, which is only $10 million but to us is critical.

The question that is often raised is why should the United States use its tax money to help a country improve its living standards. For example, in Bangladesh we successfully built about 40 electric systems which have allowed the natives of the country to use electric-powered irrigation wells and are now producing rice and almost able to feed themselves.

There is a question raised in the farming community as to whether this is really a good thing to do. The truth of the matter is that it is shown repeatedly that when a poor country gets on its feet and is able to take care of its basic necessities, eventually its economy is improved to the point where it becomes a full-fledged trading partner of the United States.

So taking care of some of the basic food supplies in these developing countries is a critical part of the U.S. economic trade strategy, and the building of the small, simple but effective electric power systems in these developing countries is truly a cost effective device.

In addition, there is a great deal of worry about the deforestation of the world. We have found that when we can go into a heavily forested rural community with electric power to provide them with some of the basic energy necessities, they are less likely to chop down trees, particularly if that electric power enables them to develop other industry that provides them with income. They can abandon the subsistence slash and burn economy which has been the only way they could stay alive.

We cannot expect these countries to stop cutting these rain forests if they have no economic alternative. Electric power can provide that, at least in part.

The way we do it is to work with international consultants to help pick areas of the world where this thing could work. We have been in the Philippines for a long time and in Bangladesh for quite a while, and we are now focusing on Bangladesh and Central America primarily.

We get volunteers from rural electric cooperatives in the United States. Mainly, these are persons who are your age and mine whose kids are out of school and they are willing to leave. They go into these countries on a long-term arrangement, not just a tourist trip. These are experienced, practical rural electric administrators that go in there and build a system, make it run, train the natives in how to continue to make it run, and it works. It works at a very small investment.

We get money for financing from the World Bank, Inter-American Regional Development Banks, and the like——

Senator **Harkin**. Bob, do you tap into different sources for the electric energy, such as hydro and coal?

Mr. **Bergland**. Hydro, yes, sir. In Central America, for example, we have built in places like Costa Rico, we have harnessed small mountain streams, put in a hydro site, and a small generator running electricity into those villages to provide them not so much with the amenities but with the basic necessities. They use electricity to run their machinery for milling grain or sawing wood or weaving cloth, as in Bangladesh. The power in Bangladesh comes from gas-fired turbines mainly.

One of the problems in Central America is these large nationally owned electric power systems are primarily built to supply energy to the cities, but you get out into the remote rural areas and there is nothing. They cannot reach those rural areas, and that is where we pick up, working with those national power agencies.

PREPARED STATEMENT

This program is very popular in these developing countries. It is popular with our own people who come back from those missions strong believers in American economic assistance as they see first hand how it works.

Mr. Chairman, that concludes my statement.

[The statement follows:]

STATEMENT OF BOB BERGLAND

Mr. Chairman and distinguished members of the Committee, my name is Bob Bergland. I am executive vice president of the National Rural Electric Cooperative Association (NRECA), the national service organization of the nation's 1,000 consumer-owned rural electric systems, which supply electric service to more than 25 million people in 46 states.

I am pleased to appear before this Committee today with an ongoing success story: rural electrification is one of the Nation's most popular and successful exports.

I would also like to thank this Committee for its continuing support of this program.

Mr. Chairman, the employees and consumers of rural electric cooperatives in the United States have a direct stake in increasing the standard of living in third world countries. The economic well-being of the rural communities we serve is partially dependent on the economic capability of people in other lands to buy the products our rural places produce.

Thus, our interest in international development is more than just humanitarian.

As well, it is essential that we find ways to maintain the great forests of the world to absorb pollutants that result from heat generated from fossil fuels. However, we must work cooperatively with the people who live near these forests to find solutions that do not deny them economic opportunity. Thus, the international environmental implications of our nation's electric generation is another reason why NRECA continues to maintain its close involvement in international work.

Our involvement in international development takes two directions. First, we employ international specialists who concentrate on rural electrification and the development of a productive enterprise as a mechanism for raising the standard of living of rural people in lesser developed countries. Second, we use individuals with engineering and development talent within our rural cooperative systems to actually work in rural areas throughout the world.

I might add that when our people return to their rural communities, they are solid supporters of our nation's international development investments.

Rural electrification continues to be a critical component for stimulating economic development in rural communities. Just as in the United States, third world investment in rural electric infrastructure is an essential and basic component for increasing the standard of living of rural peoples. To date, the systems assisted by NRECA are serving 32.5 million rural people in 15 developing nations.

Electric power, modern communications facilities and good roads are necessary to buy products, sell surplus production and buy consumer goods necessary to raise the standard of living. Equally important, modern facilities and infrastructure are essential to bring trained people to rural areas.

We are grateful that this Committee and the Congress have demonstrated their support and provided $10 million in annual funding for rural electrification projects in the Caribbean and in Central America through the U.S. Agency for International Development Office of Energy.

I would like to highlight some of the accomplishments of this program.

Bangladesh

NRECA is currently working actively with the U.S. AID in Bangladesh, a country about the size of the state of Wisconsin, but with 100 million people in the most successful economic development project in this country in recent memory. Funds are flowing into this program from the World Bank, the Arab fund, the Asian Development bank and other nations, and these funds are purchasing U.S. electrical hardware due to AID/NRECA involvement that has resulted in the specification of U.S. hardware and methods.

In villages with good infrastructure:

- the poverty rate is 40 percent lower;
- the calorie intake of the poorest people is 7.5 percent higher;
- wage rates are 12 percent higher per hectare;
- employement in agriculture is 4 percent higher;
- employment in nonagricultural enterprises are 30 percent higher.

The differences are associated largely with the direct and indirect effects of higher agricultural productivity.

In addition to setting standards for electrical infrastructure, training assistance and technical help, NRECA's electrification work in this small nation has been concentrated on providing the power to operate wells for irrigation for rice production. As a result, farmers can produce three crops a year rather than two crops, and their income has increased and their diet has improved.

The number of rural electric co-ops now operating numbers more than 40 and is growing.

Electricity has provided a key boost to the location of new industry and commerce in rural areas. This large and successful rural electrification project in Bangladesh has been credited with triggering the creation of 6,000 new small and medium sized rural enterprises.

Central America

Central America presents a clear case of what the problems of economic development in the third world are and what can be done about it. NRECA is deeply appreciative of the past three years of the multi-year funding provided within the foreign aid appropriations that focused special attention on rural electrification in this part of the world.

Two AID/NRECA projects are currently on-going, a regional program--the Central American Rural Electrification Support project (CARES)--and bilateral funding to El Salvador for both technical assistance and rural electric infrastructure capital investment. The CARES program provides technical assistance to Guatamala, Honduras, Costa Rica, Belize and El Salvador through the AID Regional Office for Central American and Panama.

While billions of dollars have gone into power development in Central America in the past two decades, little has reached rural areas. Currently, in all Central American countries, 80 percent of all the electricity generation is controlled by national utilities. These large government power agencies made heavy capital investments in power and transmission at a time when economic decline and heavy currency devaluations cut revenues and multiplied the real cost of loan repayments.

These utilities do not have the financial capability to invest in rural distribution: it costs too much, does not pay back quickly enough, and is an excessive administrative burden.

NRECA's cooperative initiative with AID addresses the constraints to rural electrification. The underlying strategy involves improvements across the whole spectrum (engineering, organization, management, power supply and end-use management of rural electrification) in order to increase the interest of the governments and international lenders in providing new funding for rural electrification.

Progress in El Salvador, Costa Rica, Guatemala, Honduras and Belize demonstrates that the strategy is working.

* Costs are being reduced.--Our engineers are showing how to cut costs by 20 percent and more by modifying engineering standards for rural areas. A simple modification in the length and type of poles and the size of the conductors could reduce costs by 37 percent. With lower costs, more can be done and the payback time for the investment is shortened.

* Public electric utilities are being operated more like a business.--The AID/NRECA project, along with national utility leadership, is establishing procedures to institute different operating practices.

    * Productive uses of electricity must be demonstrated to assure that it is used as a mechanism to raise the standard of living.

    * Rural residents need credit to buy electrical equipment and machinery to increase their productivity.

    * Electric service must be reliable: our research indicates that reliability is more important than cost to businesses.

    * The delivery system must be efficient so that it is economical to use electricity.

These practices are not being followed now, but we are encouraging them by creating productive-use and customer service units that will work directly with rural consumers.

* Governments must develop organizational approaches to rural electrification that maximize efficiency.--Our Central America project is decentralizing the management and ownership structure of entities providing rural electrification, improving decision-making and management systems and strengthening the existing skills of operational and technical staff with training. In some countries, the national leadership is advocating private sector solutions for electric distribution in rural areas, including cooperatives. We know that when private sector solutions can be created to serve rural consumers, there is a basis for promoting fiscal discipline and local economic development.

* We are exploring new credit mechanisms for private rural electrification efforts.--The key to successful rural electrification is financing. Our philosophy is to make rural electrification "bankable" and ensure that lenders and donors do not continue to ignore rural electrification. We are particularly looking for new credit mechanisms to finance rural electrification, drawing on our experience of the successful mix of private and public power systems in the United States. For example, in Costa Rica, NRECA is working with the World Bank and others to set up new self-financing mechanisms to generate clean, low-cost electric power from small hydropower installations. Our goal is to provide an

economically viable investment in power generation that will attract capital within the country that is now being invested outside the country.

NRECA is convinced that American attention to rural electrification in less developed nations and the broader energy issues is important. These problems are related in a very central way to the international debt crisis because the supply of electricity and what it costs will have a direct impact on any nation's productivity and economic growth. It is also related to critical environmental issues on a global scale. We must act to manage the environmental hazards of energy supply, but, on the other hand, any environmental policy that does not consider the need for electricity to help fuel economic development will ultimately fail.

Future demand for electricity in developing nations is expected to be three or four times as great as the U.S.

We believe our rural electrification experience in the United States can help provide some answers to manage this growth.

There are a number of ways to approach this. We need to conserve by limiting the energy losses from the inefficient systems that now exist. We need to make it possible to make a living on existing land without destroying fragile forests. We need to implement more efficient delivery systems with management that is responsible to the inhabitants of these rural communities. We need to invest in ways to teach rural people to use the technology made possible with electricity to become more productive.

We urge this Subcommittee and the Congress to keep these issues in mind when considering the U.S. foreign assistance program in years to come. NRECA looks forward to working with you as we do what we can to further the goals of this assistance. Thank you.

Senator HARKIN. Bob, how long have you been doing this?

Mr. BERGLAND. For 20 years.

Senator HARKIN. You have been doing this for 20 years?

Mr. BERGLAND. Yes, sir; but we are expanding it all the time. We have had good experience early in the program in the Philippines, and it has proven to be enormously successful.

We have been opposed by both Communists and the right wing.

Senator HARKIN. That sounds about right.

This is only $10 million you are putting into this every year?

Mr. BERGLAND. Yes, sir; we estimate that this small program has provided electricity to about 32 million people in 15 developing countries.

Senator HARKIN. That is not a bad rate of return.

Mr. BERGLAND. It is a good rate of return, and we hope the committee will continue to supply this very important but small part of the AID budget.

Senator HARKIN. I just want to buttress what you said about helping them with their basic necessities and things. You are absolutely right, Bob. It has been proven time and time again. If you help people provide those basic necessities, their diets get better; they would like to have better foodstuffs, they start importing stuff from us, they get some money with which to exchange, and everybody is better off.

Mr. **Bergland**. We are all better off. If a country like Bangladesh cannot help itself, the only way it stays alive is to receive American charity, and we all know how expensive that is.

Senator **Harkin**. That is true.

Thank you very much. I appreciate it.

Mr. **Bergland**. Thank you, Mr. Chairman.

Senator **Harkin**. I next recognize Dr. Harsanyi.

STATEMENT OF FRUZSINA HARSANYI

Ms. **Harsanyi**. I work for Combustion Engineering, which is a Fortune 50 exporter of equipment and services to the electrical power, chemical process, and other industrial sectors, but I am here today on behalf of a group of American companies involved in supplying technical expertise, engineering services, and equipment for the generation and transmission of electric power.

At the request of the administrator of USAID, this group made a study of the electric needs of several developing countries. In a report submitted to the administrator last spring, we made recommendations on how AID could work with U.S. industry to address the severe power shortages in these countries.

We concur with AID's recent report to Congress on Third World power shortages, which pointed out the shortages severely constrain economic and social development in most AID-assisted countries. We believe that as long as the shortages exist, these nations will remain hobbled in their efforts to develop into strong economies and free themselves from dependence on foreign aid.

Without the broad availability of reliable, inexpensive electric power, the development of the industrial infrastructure needed to usefully employ their growing populations will not take place.

We propose that AID at the direction of Congress significantly expand its program for electric power development. This program should include expanding and leveraging USAID's financial support of medium and large energy development projects. We are talking about basic infrastructure here. We would suggest that this should be done through the use of tied aid or what we call mixed credits.

Most developed countries blend a large part of their foreign aid funds with commercial financing to simultaneously address development needs and promote expanded trade. For example, under current OECD guidelines, a $35 million AID grant can be blended into a mixed credit package to support $100 million worth of exports.

Most of our trading partners use this tool to expand their market shares and to bolster their trade balance. The U.S. Government refuses to join in this practice even though now it is the norm in the capital projects market.

The result is that while foreign firms and workers enjoy expanded opportunities from their government's foreign aid efforts, the United States does not. Instead, our Government's policy has been to shun the practice because it distorts fair and open trade. It does indeed, but it is the real world.

In the cause of championing fair trade, the U.S. Government has adopted a strategy of negotiating with other OECD countries to raise the cost of mixed credit financing, but this has not worked. The practice has continued to expand to the further disadvantage of U.S. companies and their employees, the American workers. In fact, it jumped from $11 billion in 1986 when the most recent consensus was negotiated to $15 billion in 1987.

The President's Export Council noted that our trading partners remain aggressive in using mixed credit. They blend AID funds with regular export credit to support their sales, excluding U.S. exports from the few available markets. Both Eximbank and AID should focus on the problem. They must be given the resources and the mandate to level the playing fields for the United States in mixed credit competition.

It is imperative that we review our own foreign aid practices to ensure a fair and realistic balance. Sir, we must develop strategies and vehicles that address the dual goal of supporting our humanitarian objectives and our domestic economic interests.

PREPARED STATEMENT OF DR. CHARLES CANNON

We must seriously consider a dedicated tight AID program and a reorientation of our existing AID agenda to include support of electric power projects. This would work to the mutual advantage for the recipient countries, American exporters and ultimately American workers whose taxes go to fund AID programs, many of whose jobs depend on international trade.

Thank you.

[The statement follows:]

STATEMENT OF DR. CHARLES CANNON

Mr. Chairman the Working Group is an informal association of electric utility companies, engineering firms, energy equipment suppliers, and environmental organizations. Members of the Working Group share the view that the U.S. should tap its technical leadership in the power sector to help allevaiate the continuing power crisis in developing countries. We agree with A.I.D.'s report to Congress, "Power Shortages in Developing the Countries" (March, 1988), which was prepared at the request of Congress. The report identified power shortages that are seriously constraining economic growth and social development in most A.I.D. - assisted countries. We believe that a significant change in A.I.D.'s priority for energy growth is required to meet the electric needs of developing countries. In addition, without substantial assistance from A.I.D. or other government agencies, The U.S. stands to lose a signigicant opportunity for trade in the third world.

Following A.I.D's report on the magnitude of the power crisis last year, A.I.D. Administrator Alan Woods asked representatives of the U.S. energy industry to advise him on what steps could be taken to address the crisis. In the balance of my testimony, I would like to report on what these experts found and what, from our perspective, are the appropriate steps that A.I.D. and other federal agencies should take to address the problem.

It is clear that the current development activities of A.I.D. no longer address the critical linkage between electric power availability and economic and social growth. Less than 4% of A.I.D.'s annual budget is now committed to energy/power development activities. Yet, in the Philippines, Indonesia and the Dominican Republic electric power development ranked among the top priorities identified by officials in each country.

Electricity plays a large role in the development process. According to World Bank and United Nations statistics, over the past two decades the ratio of electric power consumption to economic growth rate has been 1.4 to 1 in developing countries. During the economic recovery of 1987-1988, GDP in the Philippines grew at a rate of 7.6%, while overall energy consumption grew at an annual rate of 8.9%. Electric power consumption during the same period grew by 10.7%.In the Dominican Republic, the peak demand for electricity exceeds the national utility's supply by 60 MW. Brownouts occur on the average of one to four hours each day.

According to the "Power Shortages in Developing Countries" report of A.I.D., U.S. current exports represent less than 10% of total power generation exports to developing countries, while they accounted for over 20% in the late 1970's. Developing countries will need to import an estimated $370 billion to $900 billion worth of power equipment and services between 1988 an 2008, to sustain GDP growth rates of 3.5 to 5.5% per year over the same period. If U.S. suppliers raised their market share in developing countries to their 1970's levels, the value of U.S. power exports would be equivalent to $80 to $180 billion.

It is clear that A.I.D. assistance to help developing countries provide adequate and reliable electricity is a good investment for the United States for four major reasons. First, this would address a critical area for developing countries to achieve self-sustaining economic and social growth. Second, it would also benefit important U.S. national security, foreign policy, and trade development goals. Third, it would offer the U.S. the opportunity to cooperate with developing countries in addressing global environmental issues. Finally, it offers substantial opportunities for cooperative actions between A.I.D. and the U.S. energy industry to promote exports and reduce the trade deficit.

The power crisis presents A.I.D. and the U.S. energy industry with significant opportunities to influence environmental policy in A.I.D.-assisted countries. U.S. companies are world leaders in designing and constructing efficient power systems. A.I.D. and the U.S. energy industry can work collaboratively to transfer the technology and know-how behind successful U.S. energy conservation programs. A.I.D. can assure that appropriate technologies are applied to developing coutries' needs. Also, the U.S. energy industry remains a leader in renewable energy technology as well as in innovative environmental technologies including advanced coal cleaning techniques, gas reburning, and advanced flue gas cleanup.

A.I.D. should place emphasis on energy, particulary electric power, and on the transfer of proven U.S. technologies and services. It should make the necessary organizational and budget changes to achieve this objective.

A.I.D.-assisted countries need and welcome increased assistance in the energy/power area from the U.S. government and private companies. Yet, A.I.D. central policy directives do not require nor sufficiently encourage its Regional Bureaus and country Missions to undertake energy/power development activities. Apparently, policy makers in A.I.D. have been concerned that such assistance can only be undertaken by fully financing massive energy/power infrastructure projects, which is unrealistic given the declining budget of the Agency.

Congress should encourage A.I.D. to implement the following policies:

- Provide the A.I.D. regional development officers, located in the Africa, Latin America, and Asia/Near East regions, with advisors with private sector backgrounds in the energy/power field.

- Provide additional resources, both economic support funds and development assistance funds, to give emphasis to energy, infrastructure, trade and investment even though this requires a reallocation of existing resources within the A.I.D. budget.

- Encourage private sector participation in power supply investment through continuous policy and institutional reform, creation of private sector financing windows, funding of prefeasibility studies and other mechanisms.

- Expand A.I.D.'s current limited energy/power activities in policy development assistance, preproject planning assistance, training, and energy/power technical assistance. To accomplish this, Congress should recommend creating an "Energy/Power, Infrastructure and Trade Institute" as a public-private partnership to promote energy and infrastructure-related activities in A.I.D.-assisted countries.

- Ensure that the U.S. trade balance and not only political and strategic concerns shape A.I.D.'s program. This could mean coordinating an interagency group that includes other arms of the U.S. government, for example, DOE, DOC, USTR, TDP, EXIMBANK and OPIC, to develop a U.S. government-wide and country-specific approach to the energy/power sector. These efforts might be initially targeted at selected coutries, such as the Dominican Republic, Costa Rica, the Philippines, Egypt, Thailand, Indonesia and Pakistan.

The U.S. Government has been unwilling to play an aggressive role in neutralizing mixed credit competition in the export markets. As a result, the share of the U.S. electrical manufacturers in the major export markets has dropped drastically. Through Eximbank, the U.S. provides small amounts of mixed credit support only in those instances where the OECD agreement is violated by the competing governments. This, however, happens very rarely. The competing governments, following OECD rules, are increasingly offering mixed credit packages and the U.S. firms are losing jobs as a result. The European and Japanese governments are well assured that their mixed credit packages will go unchallenged by the U.S., if their agencies adhere to the notification requirements of the OECD agreement and observe the 35% minimum grant element rule.

We know that the current federal deficit will not allow the U.S. government to fully finance capital intensive energy/power projects in developing countries at concessionary rates. Nevertheless, an opportunity to leverage private investment with existing levels of government funds does exist. Such an approach would serve to reduce the overall cost of energy/power projects in developing countries. Since the energy/power sector consumes 25% of the development budget of many A.I.D.-assisted countries, any reduction in the cost of energy/power projects could free-up resources for development activities in other sectors. This approach would also strengthen the ties of economic cooperation between the United States and A.I.D.-assisted countries.

The U.S. government should revise its export promotion and financing support programs to help make U.S. goods more competitive in the world marketplace. This would serve to place U.S. companies on a level playing field in their competition with other exports for trade in energy/power goods and services. The following policy changes should be considered by Congress:

- Together with other U.S. government agencies, A.I.D. should provide funding to support feasibility studies and project development activities for electric power and other "commercial" energy projects in developing countries.

- The federal government should establish a fund to help finance energy/power and other infrastructure projects on concessionary terms or provide funds that would leverage private capital for such projects with large export potential. The development fund could loan to both public and private sector projects.

- A.I.D. should explore and employ innovative financing approaches to support energy/power projects, in such areas as loan guarantees and political risk insurance.

- A.I.D. should designate major portions of existing economic support funds for electric power projects. In particular, target the Philippines (through the Philippines Multilateral Assistance Initiative), the Dominican Republic, Indonesia, and other countries with power supply constraints.
- Congress should appropriate additional funds specifically for electric power projects in developing countries.
- U.S. policy should be revised to adopt proative use of mixed credit authority. Congress should support additional funding for the direct lending program of the Eximbank and mixed credit programs of Eximbank and TDP.

The Working Group on U.S. Technology and the Third World Power Crisis supports the expanded energy and power activities endorsed by this Committee in recent years. There is much in the experience of our member companies and organizations that can contribute to solutions to the power needs of the third world. We look forward to the implementation of the program you outlined in your committee report to accompany the FY89 appropriation. We agree that pilot projects in each of the three regional bureaus are appropriate and that they should focus on energy conservation, end-use efficiency and private power development. We commend the Committee for supporting the Office of Energy at the $10 million level, but recognize that there is not yet a systematic effort within the agency to identify power projects that merit support. The agency is not implementing the program at the level warranted by the magnitude of the problem.

Thank you, Mr. Chairman, for opportunity to present the views of the Working Group.

Senator HARKIN. Now you are asking the committee for supporting the Office of Energy at the $10 million level. That is not the same $10 million, or is that the same $10 millon you were talking about, Mr. Bergland?

Mr. BERGLAND. Yes.

Ms. HARSANYI. Many of the things we are talking about are obviously complementary.

Senator HARKIN. It sounds about the same to me.

Ms. HARSANYI. His would emphasize rural development, and we are talking about moving toward capital projects to emphasize urban development.

Mr. BERGLAND. We are talking about the same thing on a different scale. Ours is rural primarily, and they are talking a broader base.

Senator HARKIN. So you are both taking it out of the same pot?

Mr. BERGLAND. Yes.

Ms. HARSANYI. I think the difference, sir, is that in the past AID has been reluctant to fund, to even consider, major projects. All we are asking is that AID should be willing to consider them along with other things because it is an essential part of development.

Senator HARKIN. I just wanted to clear that up in my own mind.

At this time I would recognize the Senator from New York, Senator D'Amato, for an opening statement. I know you have some other committee meetings.

Senator D'AMATO. Mr. Chairman, thank you very much.

The intense heat and severe drought in many parts of the country last summer have made such terms as "the greenhouse effect" and "global warming" a part of our common vocabulary.

Many scientists have pointed to some of the indications of our changing environment. In addition to the drought of 1988, other indicators include the hole in the ozone layer in Antarctica, and recent trends to hotter summers and warmer winters. While global climate change is a naturally occurring phenomena, the process seems to have sped up as a result of man-made creations. A major contributor to the greenhouse effect are the gases resulting from the combustion of fossil fuels.

As a cosponsor of the National Energy Policy Act, S. 324, I am concerned about the implications of global warming and the greenhouse effect. S. 324 is an attempt to address the problem by establishing a national energy policy which includes among many things: Energy conservation, reducing carbon dioxide emissions, and promoting further research into renewable energy.

Renewable energy sources include wind, solar, photovoltaic, biofuels, ocean, geothermal, and hydrogen fuel cells. Making use of the great potential that renewable energy sources offer will help our Nation become more energy self-sufficient and limit its reliance upon imported oil, not to mention the vast environmental benefits associated with these energy sources.

GREENHOUSE EFFECT AND GLOBAL WARMING

I would commend the public witnesses and yourself, Mr. Chairman, for undertaking these important hearings. Unfortunately, I have a number of other subcommittees which are meeting at the same time.

I understand one of our public witnesses is going to talk about the greenhouse effect and global warming and the funding that he sought in order to attempt to proselytize in the area of doing whatever we can to move us away from the combustion of fossil fuels. That is certainly, I think, an area that deserves much more of our attention.

I apologize to the people for breaking their train of thought, and I thank you, Mr. Chairman.

Thank you, Senator Harkin.

Senator HARKIN. Thank you very much, Senator D'Amato.

Now, I would recognize Mr. Wallace Campbell.

STATEMENT OF WALLACE CAMPBELL

Mr. CAMPBELL. Thank you very much, Mr. Chairman. I will cut my statement, as Bob Bergland has, to meet your time requirements.

I am here today representing the Overseas Cooperative Development Committee which through its organizations represents 90 million people in the United States. These organizations include the Agricultural Cooperative Development International, the Cooperative for American Relief Everywhere, which most of you know as CARE—its acronym is so important that most people do not know what its full name is. I served as a member of the board of CARE for the last 43 years and served for 8 years just recently as president—the Cooperative Housing Foundation, the Credit Union National Association, the Associated World Council of Credit Unions, Land O'Lakes, which everyone knows, the League of Insurance Companies, CUNA Mutual, Nationwide Insurance and other cooperatively-based insurance companies, the National Cooperative Bank, the National Cooperative Business Association, the National Rural Electric Cooperative Association, from which you have heard, and the Volunteers in Overseas Cooperative Assistance.

Currently, the U.S. Cooperative Development organizations are providing technical assistance and training in 40 countries. For several years your committee has included report language which supports the private and voluntary organizations and cooperatives. Last year, the subcommittee indicated a level of central funding for the Office of Private and Voluntary Cooperation for $56 million, including $22 million for matching programs, $15 million for child survival, and $6 million for the Overseas Cooperative Development programs.

This important office, which allows for more independent funding for worldwide programs for private voluntary organizations and cooperatives, was funded for $55 million last year, and the administration's request for 1990 is $54.8 million.

Private voluntary organizations are often looked upon as agents of the Government. Actually, there are 245 U.S. private organizations registered with AID. They bring roughly $2.2 billion to the international field per year. These include the very large contributions of the church organizations and church members and the work of other organizations.

The number of people served by CARE on food and other commodities last year was 32.7 million people who were served primarily with Food for Peace commodities. Some 608,000 children under the age of 2 were immunized under the CARE program, and the total number of children up to the age of 5 who were immunized under this program was 1,280,000 people.

We are urging that the work of the voluntary organizations be upgraded, that the current Private Voluntary Organization Office be created as a center for voluntary cooperation including an advisory committee and presidential appointed committee.

We recommend that the subcommittee continue its support of funding for the Private Voluntary Organization Office at $60 million in 1990. This includes matching grants for cooperatives, child survival programs, development education, and overseas reimbursement. This would provide a modest increase in food aid enhancement.

Mr. Chairman, I notice that my time is running. I would like to point out that child survival funding, in all of its forms, should receive a targeted $200 million. This is spelled out in the text.

Recently, AID has assisted the cooperative development organizations which I mentioned above on a 5-year program. One of the interesting examples is the farmer-to-farmer program, which sends several hundred American farmers each year to work with farmers in the developing countries to stimulate and increase their activities.

One of the new programs, relatively new, is the Land O'Lakes program which is people to people in dairy development. For several years this subcommittee has provided up to $5 million in aid for this program. The goal for AID is to support projects to help build markets for U.S. dairy products and increase technology strength in agricultural and development efforts.

There is more in the testimony on the dairy development program which I know is of interest to you and your constituencies.

The other items are: The Central American rural electrification program, which you have heard about in earlier testimony from Bob Bergland; an increase of $50,000, a very small amount, for the U.N. Center for Human Settlements. This is to provide self-help housing development and to increase slightly the amount of money that the U.S. Government is providing; and $5 million for microenterprise funding, which would be handled primarily through the Credit Union National Association and the International Credit Union movement.

PREPARED STATEMENT

These, I think, Mr. Chairman, take care of the items; but a startling and very encouraging example in the Central American countries, AID funding is going through the Cooperative Housing Foundation and the local credit unions, who know who the people are who will make their repayments.

[The statement follows:]

STATEMENT OF WALLACE J. CAMPBELL

Mr. Chairman, I appreciate the opportunity to testify before the Subcommittee concerning the foreign assistance appropriations for FY 1990.

The U.S. Overseas Cooperative Development Committee, formed in 1961, is a private nongovernmental organization which represents more than 90 million members of U.S. cooperatives and their commitment to assisting cooperative development abroad. OCDC is composed of ten cooperative development organizations:

- Agricultural Cooperative Development International
- Cooperative for American Relief Everywhere (CARE)
- Cooperative Housing Foundation
- Credit Union National Association/World Council of Credit Unions
- Land O'Lakes
- League Insurance Companies, CUNA Mutual, Nationwide Insurance and other cooperatively based insurance companies
- National Cooperative Bank
- National Cooperative Business Association
- National Rural Electric Cooperative Association
- Volunteers in Overseas Cooperative Assistance

Currently, U.S. cooperative development organizations provide technical and training assistance in more than 40 developing countries. In addition to the economic benefits provided to cooperative members overseas, these programs build grassroots democratic institutions and strong people-to-people relationships which contribute to understanding and world peace.

For several years, your Subcommittee has included report language which supports private and voluntary organizations and cooperatives. Last year, the Subcommittee indicated a level of central funding to the Office of Private and Voluntary Cooperation (PVC) for PVO programs at $56 million, including $22 million for matching programs, $15 million for Child Survival and $6 million for overseas cooperative development.

This important office, which allows for more independent funding for worldwide programs for PVOs and cooperatives, was funded at $55.671 million in FY 1989 as a result of your support. The FY 1990 request is $54.8 million.

The United States is unmatched in its degree of voluntarism. Most of the great movements in U.S. society have their origin in the "independent sector," for example, abolition of slavery, environmentalism, civil rights, public schooling, public libraries, farmer cooperatives and the care and opportunities for the handicapped.

U.S. PVOs and the overseas development work of U.S. cooperatives are international expressions of people helping people in this great voluntary tradition. The 245 U.S. PVOs and cooperatives registered with AID have an expanding revenue base from private sources of upwards to $2.2 billion per year. They manage an additional $1 billion in U.S. Government resources including Food for Peace (PL 480). Millions of children have received nutritious school lunches, for example, through the Cooperative for American Relief Everywhere which is better known by its initials, CARE.

With a shrinking U.S. development assistance budget, we believe that these people to people channels of assistance should be significantly strengthened. In the Senate Foreign Relations Committee's draft bill and the House-passed foreign assistance authorization legislation, Chairmen Pell and Fascell, with bipartisan support of other members of their respective committees, would upgrade the current PVO office to a Center for Voluntary Cooperation including an advisory committee with ten presidential appointees.

The organizational framework of a Center is the outgrowth of an AID-funded study by U.S. PVOs and cooperatives to examine and strengthen this public-private partnership with voluntary sector organizations for overseas development programs. I would like to provide a copy of that study, entitled Strengthening People-to-People Development into the 1990s for the Subcommittee's files.

We recommend that the Subcommittee continue its support for funding the PVC office at $60 million in FY 1990. This level of funding would maintain current programs including PVO matching grants, cooperatives, child survivals programs, development education and ocean freight reimbursement. It would provide a modest increase in food aid enhancement programs.

We appreciate the Subcommittee's report language and support for cooperative development and the role of U.S. cooperative development organizations in bringing self-help democratic programs to low- and moderate-income people in developing countries. Recently, AID has provided five year grants to six U.S. cooperative development organizations and initiated a modest program for innovative cooperative development.

An example of people to people assistance by U.S. cooperatives is the Farmer-to-Farmer Program. Begun in 1985 and administered by Volunteers in Overseas Cooperative Assistance, the program sends volunteer American farmers overseas to provide short-term assistance in applied agricultural practices for local farmers and their organizations including cooperatives.

Funded through PL 480 in the 1985 Farm Act, the program has resulted in significant improvements in agricultural productivity by the targeted groups of farmers. An independent evaluation determined that "increased incomes achieved at harvest time on sample farms alone were at least double the cost of the entire Farmer to Farmer program." The volunteers "initiated far more farming practice changes, at a lower cost, than generally experienced in most technical assistance programs."

Another example private sector, people to people assistance is the dairy development initiative by Land O'Lakes. For several years, the Subcommittee has provided that up to $5 million in AID's agricultural functional account should be used for new projects of private sector entities and cooperatives using surplus dairy products when available. The goal is for AID to support projects to help build markets for U.S. dairy products and technologies, strengthen agricultural development efforts and boost milk and dairy product consumption.

Reduced production of dairy products by the U.S. and the EEC has resulted in a sharp decline in world supplies of dairy products. A three-fold increase in world market prices at a time of reduced dairy product donations has placed an enormous new financial burden on many developing countries who had relied on dairy product donations to provide much needed nutritional supplements for their populations. This current world situation, which is expected to continue, has resulted in many governments and private sector entities placing a priority on development of their domestic dairy industries.

Under the leadership of Land O'Lakes, Inc., AID's dairy development initiative (funded with $4.785 million in FY 1986 and $1 million in FY 1988) has supported assistance to private sector partners and government in over 15 developing countries through the provision of policy, sectorial and industry studies, technical assistance and U.S. and in-country training. The strengthening of private sector dairy production, processing and marketing capabilities provide increased consumer access to quality dairy products, contributes to an improved nutritional status and opens new opportunities for the transfer and sale of U.S. dairy technologies and products.

The Subcommittee's initiative has stimulated requests for commercial sales of U.S. dairy products and other agricultural supplies such as calf replacer. In addition, the support for increased domestic milk production targets economic development assistance to the many small and impoverished farmers who are typically associated with milk production in developing countries.

Continued Subcommittee support for the dairy development program is particularly critical for developing countries during this period of global shortage of non-fat dry milk. Without additional funding in FY 1990, Land O'Lakes and others will not be able to meet the requests for assistance from developing countries taking a new look at stimulating their dairy sectors.

We encourage the Subcommittee to maintain its support for the dairy development program in legislation and report language for FY 1990.

We also urge continued Subcommittee support for:

- The Central American Rural Electrification Support program at $5 million in FY 1990. Administered by the National Rural Electric Cooperative Association, the goal of this project is to address rural poverty in the region by increasing rural access to the benefits of existing and planned power.

- An increase of $50,000 in the U.S. contribution to the United Nations Centre for Human Settlements (UNCHS) for a total of $450,000 in FY 1990. Habitat assists developing countries in the development of sound human settlements policies. For example, the Cooperative Housing Foundation has worked with Habitat since 1980 in providing planning and management assistance to Dodoma's low lost housing program in the newly designated national capital of Tanzania.

- A setaside of $5 million in micro-enterprise funding in FY 1990 in a block grant to the Credit Union National Association (CUNA) for initiating a worldwide program of micro-enterprise development utilizing credit unions. This initiative would complement and strengthen the Subcommittee action last year in directing AID to provide $75 million in dollars and local currency for micro-enterprise development.

  Inspite of the major difficulties confronting micro-enterpreneurs - lack of legal status, lack of credit and inadequate business management skills, they have become a significant part of national economic development in most developing countries. Usually, they do not qualify for commercial credit and rely on moneylenders or local merchants for financing and inventories.

  In recent years, development agencies have become increasingly interested in the micro-enterprise sector. Results to date have been mixed. Although many project have succeeded in channelling credit and other resources to selected micro-enterpreneurs, the project scale has generally been small. The project costs per loan have also been high when the full costs of technical assistance are included.

The challenge of micro-enterprise development is to target limited assistance in ways that support replication and self-supporting systems for the millions of micro-enterpreneurs. The worldwide credit union system can provide this type of foundation with over 20,000 credit unions with some nine million members in 72 countries with outstanding loans of $3.2 billion and savings of $3.9 billion.

While most micro-enterprise programs have focused on urban street merchants, credit unions have also been an important job creator in the housing sector. For example, a positive and successful partnership of credit unions and community groups is finishing its first four years in Central America. There, the Cooperative Housing Foundation, working with credit unions in Honduras, Guatemala, Costa Rica, El Salvador and Belize, has loaned about $10 million to low and moderate income homeowners through community organizations and cooperatives for home improvement and low cost housing construction. This program has created thousands of jobs and increased levels of living standards in those countries. Our latest report shows a repayment rate on loans of 98 percent.

Thank you.

Senator HARKIN. Let me just ask the first two witnesses, Dr. Harsanyi first, should AID be putting money into larger power production facilities, or should AID, as some have suggested, be looking at smaller more benign types. Say solar, small hydro power projects, biomass, burning, getting energy from less capital-intensive methods of producing electricity for areas in Third World countries?

Ms. HARSANYI. I would hate to suggest that it should be exclusively one or the other. I think what we have been arguing for is that AID should not exclude capital projects or capital intensive large power projects. It has been unwilling in recent times to look at those, and there is a real need for that in many countries, as the study group found in the Philippines, the Dominican Republic, and in some other countries. So I think that it should be permitted and encouraged to also look at those.

As to the other part of your question about whether it should look at solar and biomass, I think this may reflect some of Senator D'Amato's concern about global warming issues and the use of fossil-fired plants. I think there are obviously ways of making those plants environmentally safe. The United States has the best technology in the world for that, and that technology should be transferred to the developing countries. We would like to see AID help us.

Senator HARKIN. Did you have any views on that?

Mr. BERGLAND. I have no argument with that, Mr. Chairman.

The fact is the programs need to be flexible enough so that the most appropriate technology be applied, not rule out either large capital projects or small, remote water-based village systems which we build. They are tiny by comparison but they are no less important.

Senator HARKIN. Appropriate, I guess, is the key word.

Thank you all very much.

STATEMENTS OF:

GEORGE NOYES, GOVERNOR, OPPORTUNITY INTERNATIONAL

CHRISTINA COBOURN, COLUMBAN FATHERS, JUSTICE AND PEACE OFFICE

MARILYN ROCKY, REGIONAL DIRECTOR, CHILDHOPE

Senator HARKIN. Our next panel will be George Noyes, Governor, Opportunity International; Christina Cobourn, Columban Fathers, Justice and Peace Office; and Marilyn Rocky, Regional Director of Childhope.

I am going to take about a 3-minute recess right here. I have something I have to tend to. I will be back in about 3 minutes.

[A brief recess was taken.]

Senator HARKIN. The subcommittee will resume.

I have already introduced the panel.

STATEMENT OF GEORGE NOYES

First of all, Mr. Noyes, Senator Simon wanted to be here to introduce you, and he sends his regrets. I have a personal note from him. "Unfortunately," he said, "I have been called to the Senate floor on the pending immigration bill." So he is over there now, but he wanted to be here to introduce you. I apologize for that, but I would recognize you, Mr. Noyes.

Again, we will get our light working here. Please proceed.

Mr. NOYES. Thank you, Senator. I am here for two purposes and two functions. First, I am here as a citizen advocate to speak in favor of the $200 million Philippine multilateral assistance initiative, and second, on behalf of PVO small and micro-enterprise loan programs in the Philippines. In that connection, I am a governor of opportunity international.

First, as to the multilateral assistance initiative, two points. It has been well discussed by everyone in Washington, but for me, the United States and the Philippines have a very unique relationship, from the 1,000 teachers we sent over there when we colonized the country at the turn of the century to World War II to the present.

President Aquino is trying to do a proper job of running the country. As you well know, she inherited a godawful mess. She has found and put to work some very strong and decent people, and I would like to tell you quickly about one.

Emmanuel Peláez is the Philippine Ambassador to the United States at the present time. He was a member of the General Assembly and a vice president under Marcos when Marcos started going downhill, which is an understatement.

Mr. Paláez spoke out very strongly against him and what he was doing. As a result, Mr. Paláez was shot five times by assassins and survived. So, obviously, he is a strong man. I also know him as a very decent man.

Second, Opportunity International is a private voluntary organization that has one sole purpose, and that is to create jobs in the

Third World. We are not a charity. We give nothing away. We make small loans averaging $900. We train people; we monitor people. For example, a person wants to start a weaving business in Costa Rica. I was there last summer. By the way, I am leaving for Central American again next Friday or Saturday.

A person wants to start a weaving business and knows how to weave. They make application with our office in Costa Rica, a partner agency. They are put through a very difficult application process in terms of their character and whether they pay their bills, et cetera. Then before they get the money they must attend 1 month to 6 weeks of seminars on fundamental, basic cash bookkeeping: How to buy merchandise; how to run a very simple business operation. After that process, they get the money. Then we monitor what they do.

Now, the overhead in our organization is a very low 15 percent. One of the reasons that we have such a low overhead, first, we are very lean and we are run by people who know how to run businesses.

Second, we are experiencing low overhead because I am not receiving a fee to be here, nor will they even pay my expenses to travel here. So we have a great many people who, because we believe in what we are doing very strongly and the effectiveness, do it for nothing.

Our loan repayment is 90 percent. That is because we monitor very carefully, and we have a very high rate due to follow-up on a weekly basis.

I have two requests. I hope that the multilateral assistance initiative for the Philippines will be approved for $200 million or whatever you feel the Government, we, the people, can afford.

PREPARED STATEMENT

Second, I would like to request that report language be attached—not earmarking but report language—be attached to your work recommending that 10 percent of the Philippine MAI be allocated toward PVO programs such as we are engaged in, not to our organization, no earmark, but strictly to the kind of small business loans we supply. We do not give them fish, we lend the money to buy the equipment so they can catch the fish themselves.

I hope this will be approved.

[The statement follows:]

STATEMENT OF GEORGE E. NOYES

Mr. Chairman, I appear before you today first as a citizen advocate and second as a Member of the Board of Governors of Opportunity International. It is a Private Voluntary Organization (PVO) specializing in small and micro enterprise loans in developing nations.

I am testifying for two reasons. The first is to support the Administration's FY '90 budget request for $200 million in additional development assistance to the Republic of the Philippines. She needs and deserves additional economic assistance.

The Philippines has the potential of becoming a very bright star in the Far East. We know that her people and her government have severe problems. I do not need to list them here. They can be solved with help and support. The Multilateral Assistance Initiative (MAI) is President Bush's answer. President Corazon Aquino is working hard to replace the Marcos corruption with honest democracy, unemployment with jobs, and despair with hope. She has strong, decent people helping her. Emmanuel Peláez is the Philippine Ambassador to the United States. He was a member of the Philippine General Assembly and Vice President. He was a vocal Marcos critic. There was an assassination attempt. Five bullet wounds failed to kill him. MAI would be an investment with benefits not only to our friends, the Filipino people, but also to the United States.

My second reason for testifying is to encourage you to recommend that a portion of these funds be used to expand the highly successful PVO small and micro enterprise programs in the Philippines.

My work throughout my life has been in small business. For the last 21 years I owned and operated a 15 employee industrial gas business. It was difficult in the beginning. I was able to borrow money reasonably. Small business loans are virtually impossible in the Third World except from blood sucking loan sharks.

Founded in 1971, Opportunity International is dedicated to fighting hunger and poverty at its root cause, unemployment. People in developing countries do not have food because they do not have jobs. We create jobs by providing loans that average $900 each at a fair interest rate plus business training to poor entrepreneurs through local Partner Agencies. We are exceptionally lean and well managed. Our overhead is only 15% of income and our loan repayment rate is a very high 90%. Each new job we create costs $470 compared to $47,000 here. We are experiencing explosive growth as shown graphically on page 5 of our 1988

Annual Report which also has a U.S.A.I.D. evaluation statement. Page 6 of the Report discusses the Philippines in detail.

Our Advisory Board includes Father Theodore Hesburgh, recent President of Notre Dame University, Senator Paul Simon, and Ambassador Peláez. Opportunity International has a 7 year history in the Philippines and has the largest PVO small and micro enterprise loan program in that Country.

I was in Guatemala and Costa Rica last summer and saw many small businesses started with our loans. We have a program that works. We are a model of Third World capital development that dramatically reduces poverty by creating small businesses and jobs at very low cost. Deep poverty and starvation are immense problems. We are attacking them in a relatively new and unique manner. We do not take a person's dignity by giving him a fish every day. We lend him the money to buy second hand fishing equipment and teach him how to make a profit selling fish. Then he can repay the loan with reasonable interest so we can lend the money to someone else. As he prospers he hires others.

As exhibits I attach a July 11, 1989 letter to me from Ambassador Peláez endorsing this testimony, and the 1988 Annual Report of Opportunity International.

In conclusion, Mr. Chairman, I respectfully request that your Committee provide the largest amount possible in additional economic development assistance to the Philippines in FY '90. I also request that the Committee recommend that a small portion of that assistance, perhaps $20 million, be used for PVO small and micro enterprise projects. I am not suggesting you provide those funds directly to Opportunity International. I recommend you allow AID to distribute those funds competitively.

Small loans work in the Philippines. The PVO community and OI would like to expand the program. Thank you for your past support and for considering these two requests.

Mr. George E. Noyes
381 Elder Lane
Winnetka, Illinois 60093

11 July 1989

Dear George,

Thank you very much for volunteering to appear before the U. S. Senate Appropriations Subcommittee on Foreign Operations and speak up for the Multilateral Assistance Initiative (MAI), in particular the appropriation by the U.S. Congress of $200 Million as the American contribution to the MAI fund, to which other countries friendly to the Philippines are expected to contribute.

As you probably know, MAI had been proposed by a bipartisan group of Senators and Congressmen to President Ronald Reagan who, on October 20, 1988, informed President Corazon C. Aquino that his administration had been laying the groundwork for MAI, which was "designed to support Philippine democracy and economic development" and that he had found "a general consensus among international donors in favor of making this extraordinary effort to assist the Philippines as your government pursues its economic restructuring and reform program." President Reagan further stated that he was "prepared to recommend to my successor that this program be launched next year."

The administration of President George Bush took up the initiative and recommended to Congress the appropriation above-stated. The Philippines is grateful for this offer of assistance from the United States.

President Aquino has mobilized her government to provide an effective mechanism for the proper utilization of MAI assistance. She has stated that the same should be utilized primarily for the alleviation of poverty among the masses of our people and that the stimulation of private entrepreneurial endeavors through non-governmental organizations shall have priority.

I, therefore, welcome your appearing before Congress, in the hope that your voice will be heard favorably in the consideration of MAI. May I convey to you President Aquino's and the Filipino people's appreciation, as well as my own.

Sincerely yours,

Emmanuel Pelaez
EMMANUEL PELAEZ
Ambassador

Senator **Harkin**. Mr. Noyes, thank you very much.
Next I would recognize Christina Cobourn.

STATEMENT OF CHRISTINA COBOURN

Ms. **Cobourn**. Good afternoon, Mr. Chairman. I appreciate this opportunity to testify before you today about the Philippines.

Before I begin, I would like to thank you and the other members of the subcommittee for your dedication to the protection of human rights and your obvious concern about environmental degradation. These are key issues which should help to shape U.S. policy toward the Philippines.

The International Catholic Missionary Society of St. Columban, for which I work, has over 150 Columban priests in the Philippines. Most are serving rural parishes. While politically nonpartisan, we are deeply concerned about the effects of government policies on ordinary people.

Our Washington office receives regular and reliable information from Columbans, the Philippine Catholic Church, and a range of credible sources. I worked in the Southern Philippines for 3 years as a development worker under the auspices of the Mennonite Central Committee and returned for a 6-week factfinding trip in 1988.

We are primarily concerned about two related issues: A serious increase in human rights abuses; and the rapid defoliation of the Philippine environment. Each is having a devastating effect on the lives of poor Filipinos. We believe that the problems in the Philippines are essentially economic and social in nature and will only be exacerbated by increased amounts of military aid.

On the issue of human rights abuses, the State Department has reported a deterioration in the human rights situation. We would go further to say that a dirty war has emerged in the Philippines in which hundreds of civilians have been killed or disappeared. Church leaders, human rights lawyers, labor, and peasant organizers have been murdered by suspected military or paramilitary agents. They have been targeted because they have been speaking out against military abuses, defended the rights of the poor, or worked for an end to the ruthless exploitation of the environment.

Recently, five Columban priests in Negros were included in an assassination letter which also called for the killing of Monsignor Fortich, several priests, nuns, lay leaders, human rights lawyers, radio commentators, and labor leaders. Perhaps the most disturbing thing about this letter is that it is believed to have come from the military itself. It was distributed in several towns by members of the civilian armed force geographical units, paramilitary forces directly responsible to the military.

We are equally concerned by the violence of the New People's Army against noncombatants, many of whom have been suspected informers or infiltrators. We deplore the recent killing of 40 members of the United Church of Christ in the Philippines congregation during an armed conflict with a vigilante group. There is no excuse for this tragedy.

We are concerned, though, that continued arming of civilians by the military will only result in increased violence.

Furthermore, the existence of armed conflict neither excuses nor fully explains the mounting record of rights abuses by the Philippine military. We are concerned by reports that many within the armed forces use human rights as a stumbling block to victory against the NPA. Despite acknowledged abuses of human rights by government soldiers, we are very concerned that not one soldier has yet been convicted and given a significant punishment.

Throughout the country, military counter-insurgency operations have led to the massive dislocation of hundreds of thousands of civilians from their farms and villages. Houses have been burned, villages bombed, and hundreds of children have died from epidemics which have swept through crowded evacuation centers.

Deterioration of the human rights situation has coincided with an increase in the power of the Philippine military to influence government policy. Many of our sources, which include local government officials, report that real power in much of the countryside now rests with the military, not the civilian government.

In light of the stated concern of the United States to support civilian democratic rule in the Philippines, we believe that the proposed $75 million increase in military assistance at this time will send a dangerous signal that the United States is prepared to accept an increase in human rights abuses and a diminution in the strength of civilian rule.

Our second concern has to do with the alarming extent and rapid rate of environmental degradation in the Philippines. We are inspired by the courage of poor communities which have organized pickets to stop illegal logging and the destruction of vital watersheds. The church has been deeply involved in these efforts. Father Carl Schmitz, a 72-year-old American priest, was killed by a hired gunman last year for his opposition to illegal logging and land grabbing affecting the tribal people whom he served.

Philippine resource policy unfortunately continues to be influenced by politicians and businessmen who make millions from environmentally destructive logging and unrestrained commercial fishing. Members of the military are known to be involved in illegal logging.

Given these realities, we would encourage the subcommittee to channel a significant proportion of U.S. aid directly to NGO's in the Philippines working on environmental restoration and protection.

Assistance should also be given to the government's Department of Natural Resources to strengthen enforcement of existing environmental protection laws.

PREPARED STATEMENT

Over the long run, our aid should be targeted to support environmentally sustainable and equitable development. Ultimately, this assistance would redound to the benefit of the Philippine poor whose very survival depends upon the maintenance of a sound ecosystem.

Thank you for your consideration of our concerns. I would welcome any questions that you might have.

Senator HARKIN. Thank you very much.

[The statement follows:]

STATEMENT OF CHRISTINA COBOURN

Mr. Chairman, I appreciate this opportunity to testify before you today about the Philippines. I want to thank you and the other members of the Subcommittee for your concern about human rights abuses and environmental degradation in the Philippines, key issues which should help to shape U.S. policy toward that country. My name is Christina Cobourn, and I monitor human rights and other developments in Asia for the Washington office of the Missionary Society of St. Columban.

The Society is an international Catholic mission organization with nearly one thousand priests and lay workers serving in seventeen countries. There are 159 Columban priests assigned to parishes throughout the Philippines; most are in rural areas. While politically non-partisan, we are deeply concerned about the effects of government policies on ordinary people. Our office receives regular and reliable information from Columbans, the Philippine Catholic Church, and a wide range of credible sources. I, myself, worked in the southern Philippines from 1983 until 1986 with Philippine church development agencies under the auspices of the Mennonite Central Committee, and returned for a six week fact finding trip in 1988.

We are primarily concerned about two related issues: a serious increase in human rights abuses and the rapid despoliation of the Philippine environment. Both are having a devastating effect on the lives of poor Filipinos. We believe that the problems in the Philippines are essentially economic and social in nature, and will only be exacerbated by increased amounts of military aid.

A 'dirty war' has emerged in the Philippines in which hundreds of civilians have been killed or "disappeared". Church leaders, human rights lawyers, labor and peasant organizers have been murdered by suspected military or para-military agents. They have been targeted because they have spoken out against military abuses, defended the rights of the poor, and worked for an end to the "ruthless exploitation" of the environment, to quote the Philippine Catholic Bishops.

Throughout the country, military counter-insurgency operations have led to the massive dislocation of hundreds of thousands of civilians from their farms and villages. Hundreds of children have died unnecessarily from epidemics which have raged through the crowded evacuation centers.

Deterioration of the human rights situation, noted by the U.S. State Department has coincided with an increase in the power of the Philippine military to influence government policy. Many of our sources, which include local government officials, report that real power in much of the countryside now rests with the military, not the civilian government. Governor Sueno of South Cotabato, in a public meeting here in Washington said, "In many ways, the military is more powerful than the President." He said of his own relationship with the military: "The military is always saying in public that the civilian government is supreme, [but] there are many things which they do on their own, without coordinating with us." Local landowners are often very powerful. Many enjoy close relationships with area military commanders, and maintain private armies. In light of the stated concern of the United States to support civilian, democratic rule in the Philippines, we believe that the proposed $75 million increase in military assistance at this time will send a dangerous signal that the United States is prepared to accept an increase in human rights abuses and a diminution in the strength of civilian rule.

Our second concern has to do with the alarming extent and rapid rate of environmental degradation in the Philippines. While the Philippine government itself must be responsible for the protection of the country's fragile resource base, we would encourage this Subcommittee to channel a significant portion of U.S. assistance toward programs designed to protect the environment and hence the Filipino poor whose very survival depends on the maintenance of a sound eco-system. We commend the efforts made by members of this Subcommittee to inject concern for sustainable development into the plans for the Multi-lateral Aid Initiative. We hope that the program will benefit directly the vast majority of Filipinos living in abject poverty. We are concerned, however, that the MAI program, as currently constituted, emphasizes export-oriented growth which is designed to enable the Government of the Philippines to meet its external debt obligations rather than the development of a self-reliant economy geared to meet the needs of the Filipino majority in an equitable and sustainable manner. The Philippines needs to be freed from its oppressive debt burden, which is stifling development, but this cannot be accomplished by increased borrowing and an attempt to 'grow' out of debt.

Human Rights Abuses: A Threat to Democracy.

We rejoiced with Filipinos in 1986 when Mrs. Aquino assumed the presidency and ushered in what promised to be a new era of democratic government, respect for human rights and an end to the social inequities fueling a destructive war in the countryside. No one familiar with the deep-seated nature of the problems expected the new government to be able to solve them soon or without great difficulty, but there was hope that a program of serious economic and social reform would be implemented. President Aquino herself stated early on that "the roots of the insurgency are in the economic condition of the people and the social structures which oppress them."

The Aquino government has survived five serious coup attempts, but most observers agree that the price has been a curtailment of Aquino's reform agenda, and a significantly more powerful role for the military in the determination of policy, particularly regarding the insurgency. A strong emphasis has been placed on military operations, especially those designed to destroy the civilian, political base of the New People's Army. This has meant the uprooting, and further alienation of rural communities throughout the Philippines.

Despite the good intentions of the President, the human rights situation in the Philippines has deteriorated seriously over the past two years, and the war in the countryside has intensified to an alarming degree. We are concerned by the gulf which separates official pronouncements and the reality of war faced by millions of Filipinos.

We are equally concerned by the violence of the NPA against non-combatants, many of whom are suspected informers. We are distressed, in particular, by documented reports of NPA killings of suspected military "deep penetration agents," some of whom are known to have been innocent victims, not engaged in combat, or connected with the military. But we are also disturbed by attempts to politicize the concept of human rights, by people within the government, the military, and the NPA. While we recognize that abuses of human rights occur in the context of what is essentially a civil war, the existence of armed conflict neither excuses nor fully explains the mounting record of rights abuses by the Philippine military. We are concerned by reports that many within the Armed Forces view 'human rights' as a stumbling block to victory against the NPA.

While many pro-Marcos officers have been replaced by those loyal to Aquino, "reform" of the military as such, does not appear to have occurred if the AFP's human rights record is any indication. Some attempts have been made to 'sensitize' military personnel to human rights concerns, but the pace of this training, according to government human rights officials, has been quite slow. With the exception of the Philippine Marines, which have a better reputation for discipline, the AFP's record of abuse has worsened considerably since 1986. In that year, the number of abuses dropped sharply in conjunction with a strong emphasis by the President on human rights.

Despite acknowledged abuses of human rights by government soldiers, none has yet been convicted and given a significant punishment. Perhaps even more alarming is the fact that some officers known to have been human rights abusers under Marcos have been promoted under Aquino. A notable example of this is Major General Montano, who, in addition to a record of abuse during the Marcos period, was responsible for the order to open fire on farmers demonstrating for land reform in January 1987. Instead of being charged for this incident in which 18 people were killed, Montano was promoted to commanding officer of the Philippine Constabulary.

The use of torture has reemerged in military camps and headquarters, according to Amnesty International. Hundreds of military-backed paramilitary groups - vigilantes, the Marcos-era CHDF, and the new Civilian Armed Force Geographical Unit (CAFGU) - exist side-by-side, in contradiction with official government policy. A strong dose of anti-communist teachings has led many of these groups to suspect even the most basic efforts to promote community development, such as cooperatives, as communist-inspired. This has created, in many communities, an atmosphere of debilitating fear and intolerance for peaceful, community-based efforts to achieve a greater measure of economic and social equality for the poor. At least 36 priests, ministers and church workers have been killed since 1987 for their advocacy of human rights and justice for the poor. Six prominent human rights lawyers have been murdered since October 1987; in each case, the military or their agents are strongly suspected as having been responsible. Ample documentation exists of the murder and 'disappearance' of left- wing labor unions, farmers' organizations, church people, and others working non-violently for meaningful social change.

War in the Countryside: The Problem of Internal Refugees

In addition, military counter-insurgency operations have led to the massive uprooting and dislocation of hundreds of thousands of civilians from their farms and villages. In many cases, homes have been burned, crops destroyed, and precious farm animals killed in the course of these "search and destroy" operations. The Ecumenical Movement for Justice and Peace (EMJP), a Manila-based organization helping to coordinate the churches' relief effort, documented a total of 201,374 people dislocated due to warfare in the rural Philippines between January 1988 and March 1989.

Without a doubt, the most serious of these operations, essentially targeted at the civilian population, is the current "Operation Thunderbolt" in Southern Negros. Between late April and June of this year, at least thirty-five thousand people - the entire population of a five town area - were forced to flee intensive bombings and a full scale military operation. At least 180 children are reported to have died as a result of the evacuation.

While the operation was launched in response to an attack by the NPA on the headquarters of the Alpha Company of the 7th Infantry Battalion in Caningay, Candoni, Negros Occidental, many observers wonder whether the massive bombing has been effective against the NPA itself. The guerrillas move easily from area to area, and most likely were in the next province by the time the bombing started. The military reportedly believes that the people in the area are supportive of the NPA, and planned the operation, in part, to "wipe out the mass base" of the insurgents. The burning of entire villages, destruction of crops and farm animals, and the violent dislocation of the people, all support the theory that the civilian population was the real target of the operation. The evacuation sites were tightly controlled by the military, and the evacuees were forced to attend daily "re-education seminars" given by the military. Questions of morality aside, one must ask what is ultimately accomplished by alienating further large numbers of poor farmers from the government.

During the evacuation the military ordered the refugees not to seek shelter or assistance from the Catholic Church. Archbishop Fortich responded in a public letter of appeal issued May 15: "Emergencies such as this require the helping hand of every Christian even as we deplore some misguided moves to exclude the efforts of the Church from giving them [the evacuees] assistance." As the death toll among children mounted, the military could no longer deny that the problem was far greater than the government could handle, and allowed the church limited access to the refugees.

A Campaign of Persecution Against the Church?

Philippine Churches, both protestant and Catholic, have promoted social reform, sponsored village-level development, and advocated respect for human rights. But too often, these activities have been perceived by the military as subversive, and priests, ministers, lay leaders, and members of Base Christian Communities have come under attack. Bishop Tobias, a moderate prelate in charge of the Mindanao diocese of Pagadian, decried the recent killing of parish priest Dionisio Malaylay, and a local church elder, saying: "... the killing brings to the surface the fact that the Church here is experiencing persecution." Bishop Tobias noted that nine priests and lay workers have been killed in the Philippines since 1987. He said the military brands human rights activists, priests and social workers as communists, on weak evidence which can cause their deaths through extra-judicial killings by the military. The bishop himself is reportedly number one on the hit-list of the notorious vigilante group Kuratong Baleling, which he denounced after they disrupted Catholics picketing against illegal logging in the area in 1988. Alejo Villarmea, Moderator of the United Church of Christ in the Philippines (UCCP) in a nearby province, lamenting the murder of Pastor Minda Gran and her husband on May 1, fears there may be more killings. He has received reports from pastors about military "hit-lists" which are said to include the names of UCCP ministers.

But it is perhaps in Negros, where the contrast between the wealth of the hacienderos and the poverty of their workers is so stark, that tensions between the Church and those eager to maintain the status quo ante is most apparent. Under the leadership of Archbishop Fortich, the Catholic Church in western Negros has challenged the feudal attitudes which characterize relations between the planters and their workers through a combination of labor organizing and the formation of Base Christian Communities which stress the dignity of the individual before God. The depth of alienation between the military, which suspects the Church of harboring 'subversives', and outspoken clerics, who decry the violence wrought against their parishioners, is serious indeed. Last April, CAFGU members were seen distributing a letter which called for the assassination of Archbishop Fortich, nine diocesan priests and Columban missionaries, three nuns, three diocesan lawyers (also FLAG lawyers), and a number of lay workers, radio commentators, and labor leaders, all of whom were labelled as communists. Past experience shows that such threats cannot idly be dismissed.

Archbishop Fortich and his priests recognize that the intensified militarization in Negros has been brought about by heightened insurgency. But they believe that the government's hedging on crucial issues of social justice has abetted the insurgency. A landlord-dominated Congress last year passed a land reform bill which supporters say is a start, but which will not actually distribute much land to landless tenants and farm laborers, who compose 70% of the rural population. The Philippine land reform program has been criticized by experts, including World Bank officials, who assert that an immediate and radical redistribution of land is essential, both for practical success, and in order to stimulate economic productivity. Land reform is also an essential step toward defusing the growing revolutionary movement.

Environmental Degradation: An Economic and Political Time Bomb:

The majority of Filipinos rely heavily on farming and fishing for their survival. Upwards of 70% of the population (some 39 million people) is engaged in activities related to agriculture, particularly rice cultivation dependent on irrigation. Seafood provides 54% of the protein consumed by the average Filipino household. Fishing also provides a livelihood for 4.3% of the total labor force. Yet the resource base upon which these vital economic activities depend is seriously threatened. Rapid deforestation has degraded 500,000 hectares (1,100,000 acres) of vital watersheds, precipitating sharp climactic swings from heavy rainfall to drought, and subsequent crop failures. The Philippine Department of Natural Resources estimates that only 22.5% of the country is covered in forest, with the destruction fast approaching the level of irreversibility. Of the country's original 30 million hectares of primal forest, fewer than a million remain.

The loss of tree cover has led to massive erosion of the topsoil, resulting in flashfloods, and the silting up of river beds, irrigation systems, estuaries and coastal areas. The huge flows of soil smother coral reefs in coastal areas, areas important as spawning grounds for fish and other marine life. A combination of unrestrained commercial fishing by trawlers, illegal dynamite operations and environmentally unsound fishing practices by small fishermen thus deprived of their traditional catch, have led to over-fishing and have created serious long-term problems.

The importance of mangrove swamps to the environmental health of Philippine fisheries cannot be exaggerated. These vital coastal areas serve as protective nurseries for young fish as well as 78% of the breeding grounds for important species of marine life. Despite this, nearly 80% of the Philippines' original 450,000 hectares of Mangrove swamps has been destroyed; 60-65% of this degradation is reportedly due to fishpond construction. Prawn farms have been the prime culprits in recent years, despite laws designed to protect mangrove areas. Recently, residents from Dinas, a coastal town in western Mindanao, joined an environmental protest because their mangrove swamps were being bulldozed for fish farms. Prawn farms have been environmentally dangerous in another respect - because of the need to pump continually large quantities of fresh water into the prawn ponds, wells along coastal areas which supply drinking and other domestic water needs have been drying up. As the underground water table falls, salt water from the nearby sea flows in. The process is said to be irreversible. Governor Sueno of South Cotabato spoke pessimistically last April about his ability to stop the construction of prawn farms in his province, despite local concerns about their environmental impact. "Business licenses come from the municipality or the city, [but] the government is pushing prawn farms, so the local mayor can be over-ruled by the central government. [In addition] big businessmen support the local mayors in their election campaigns, so it is hard for them [the mayors] to refuse their [patrons'] requests."

There are roughly 18 million upland farmers in the Philippines whose existence is barely recognized by the government. The poorest of the poor, they have been pushed into the steeply sloping, denuded hillsides by a combination of population pressure and the declining availability of land. The latter is due, in part, to expansion by agribusiness and land grabbing by powerful landowners. Many of the Philippines' tribal groups inhabit the upland areas, some as traditional hunters and gatherers, others because they preferred to move peacefully, sharing the land rather than fighting the land-hungry settlers who moved in from other islands. But though many farmers have tilled their land for years, they lack land titles, access to credit, and agricultural extension services which would enable them to farm the unstable hillsides in a sound and reasonably profitable manner. Without title to their land, or community leaseholds, they are vulnerable to displacement by more powerful forces seeking to log the land or to establish commercial farms. Secure access to land would, at the same time, provide incentives for small farmers to invest to make their land more profitable and remove one of the most important factors fueling the Philippine insurgency. As population pressures mount, so will pressure on the land in this still predominantly agricultural country.

Protection of the Trees: A Dangerous Business

There is a budding environmental movement in the Philippines. Haribon Foundation, a large coalition of environmental groups, has been lobbying for changes in government policies in resource management and trying to educate Filipinos about the nature of the serious problems threatening the long-term survival of the country's resource base. They have been joined in these efforts by the Philippine Catholic Bishops who produced a pastoral letter on the subject last year. Catholic Base Christian Communities and UCCP congregations in the southern island of Mindanao have mounted 'people-power' pickets along roads in their areas to try to stop illegal logging. The Santa Cruz Mission in South Cotabato has been working for nearly thirty years with the T'boli tribal people of the area to develop strong communities engaged in ecologically sustainable agriculture. These efforts deserve to be supported. We are encouraged by the support received by a recent church picket from the local police who joined the effort by church people in the Pagadian area of Mindanao to prevent illegal logging. Similarly, we applaud DENR Secretary Fulgencio Factoran in his attempts to make his agency more effective and the central government more responsive to environmental concerns.

Despite these rays of hope, we are alarmed by the threat posed to those trying to protect the Philippine's fragile environment. Last year, more forest rangers reportedly were murdered than were human rights lawyers, a frightening statistic in a country in which the military is determined to wipe out people whom they perceive to be communist sympathizers. The killing of the 72 year old American Passionist priest Fr. Carl Schmitz in April 1988, and the subsequent harassment of the Santa Cruz Mission provides a good illustration of the dynamics between those who speak out against illegal logging and exploitation of tribal peoples, and members of the Philippine military and powerful mining and logging interests engaged in these profitable, but illegal activities. Fr. Schmitz had worked for decades with the B'laan tribal people of South Cotabato. He was murdered in April 1988 by a hired gunman. The local military is widely suspected to have been involved in the priest's murder. Bishop Dinualdo Gutierrez, the Catholic bishop in the area, said, "Father Carl [Schmitz] was killed because he opposed the loggers and the gold diggers." Staff of the environmentally conscious Santa Cruz Mission have also been harassed, and its American director, Fr. Rex Mansmann, has received several death threats.

In addition to the intimidation in South Cotabato, the logging pickets in Zamboanga del Sur and Bukidnon have been harassed by soldiers, businessmen, and other groups hurt by the campaign against illegal logging. "We are tagged as communists, and so is our parish priest, but still we stand for the good of the people, and to save the remaining forests of our province," one church worker in Pagadian is reported as saying. Catholic priest Dionisio Malaylay, killed by a Philippine Constabulary soldier on April 6, 1989, had been protesting the operation of a protected multi-million peso illegal syndicate engaged in dynamite fishing along the coast of Zamboanga del Sur. Communities in Palawan, threatened by the rampant logging of their island's forests by a logger closely connected to House Speaker Ramon Mitra, have been protesting, but have had little impact.

U.S. Aid Can Help

Given the serious nature of the threat, and the short time remaining to prevent permanent environmental damage - damage which would seriously affect Filipinos ability to feed themselves, and to develop economically - the United States should channel as much as possible of its aid for the Philippines directly to NGOs in that country working on environmental restoration. Specifically, with regard to the serious problems posed by increasing numbers of upland farmers, the U.S. should: (1) encourage efforts by the Philippine government to pioneer leasehold agreements among upland farming communities; (2) give financial support for technical training for these communities; (3) support religious groups, community groups and NGOs engaged in sustainable development which are capable of providing this support. More generally, U.S. aid could be channeled to the Department of Natural Resources to assist in the enforcement of existing environmental protection laws. In the long run, aid should be designed to support environmentally sustainable and equitable development.

STATEMENT OF MARILYN ROCKY

Senator **Harkin**. Marilyn Rocky, regional director of Childhope.

Ms. **Rocky**. Mr. Chairman, thank you very much for having Childhope here today before the subcommittee. I am Marilyn Rocky. I am a founder of Childhope and am also currently holding the position of Regional Director of North America.

Last June, our Executive Director, Peter Tacon, had the privilege of testifying before this subcommittee. As a result, the subcommittee granted $3 million to Childhope to be channeled through the U.S. contribution to UNICEF. I want to commend the committee's vision for including the most vulnerable of the Third World citizens, street children, in their development assistance.

The purpose of my testimony is twofold. First, I want to advocate for the multilateral assistance initiative in the Philippines and ask that it include street children in its objectives. Second, I want to request an additional $3 million for Childhope from the subcommittee this year, not to be channeled through UNICEF but as direct unrestricted aid so that we can continue the work we started last year.

Mr. Chairman, Childhope estimates that there are 1.2 million street children in the Philippines. Some 75,000 of those children are in metro Manila. About 5,000 of those children are victims of ongoing sexual exploitation, an unconscionable situation.

The Philippines, like most or all urban environments in the Third World, are victims of rapid urbanization and inability of government systems to take care of the problem of these growing numbers of new immigrants. Consequently, we have a situation that has developed in the Philippines which is absolutely intolerable. I have put up a picture here today of one such neighborhood that I, myself, visited. I am wearing the same shoes I wore that day. I do not know whether that is for luck or because I finally got the dirt off them.

This is called Smoky Mountain. This is a dump in the city of Manila where 15,000 people live, members of 3,000 families. They live in the garbage; they eat the garbage; they scavenge the garbage. You and I could not survive in this environment more than 24 hours at best. It is fetid, rotting, and nauseous.

Those people who are probably equally unfortunate are the multitude of Philippinos who live on the streets of metro Manila which, unlike the dump, is not quite so fetid, but it is again a filthy, dirty environment where people are subject to the most incredible assaults on their health and their welfare. The atmosphere of the street is full of dust, vapors, and fumes from leaded gasoline. There is nowhere to go, and when you have to live on the street, you have no choice. This is where you grow up. When you are a street child, working in the streets, you are condemned at a very early age.

There is one major thing that happened while I was in the Philippines. I had the opportunity to participate in a delegation from Childhope to meet with President Aquino in the palace. She welcomed Childhope in honor of the newly formed Southeast Asian Regional Group for Street Children.

As part of her welcoming Childhope to the region, she also announced that her government would release $1 million in Philippine governmental funds for projects working with street children. Her sincerity was well taken. Unfortunately, $1 million probably at best will reach about 13 percent of the children over any extended period of time, leaving multiple numbers still out there without any care.

I would ask that when the time comes and the multilateral assistance initiative comes to pass that there is an opportunity for the children in the Philippines who are in the street to be included. Childhope estimates that there are 100 million street children in the world today. For example, in Brazil there are 7 million abandoned street children, 17 million working on the street, and only 550,000 being served by the government.

The numbers go on and on and on in every Third World country, and I ask that the committee please take this into consideration so that Childhope can be refunded to continue to advocate for these children as we did so successfully on the front cover of Newsweek magazine this past May where this young man's picture was taken. He is working in the dump in Manila, and Childhope was involved in getting this in the international issue of Newsweek. It indicates that the problem is real. If all these children were in one country gathered together, 100 million of them, believe me, we would be scared out of our minds.

PREPARED STATEMENT

Some $245 million this year will go for child survival. I will ask you, Mr. Chairman, what are they surviving for? Are we condemning them to live, or are we going to give them lives worth living lifelong? I ask that the U.S. Congress continue to assist Childhope in its work.

Thank you.

[The statement follows:]

STATEMENT OF MARILYN ROCKY

Introduction

My name is Marilyn Rocky, Regional Director for North America for CHILDHOPE, the international advocacy movement for street children. On behalf of CHILDHOPE, it is a pleasure to submit this testimony before the Senate Appropriations Subcommittee on Foreign Operations. In June 1988, Peter Tacon, Executive Director of CHILDHOPE, had the privilege of appearing before this Subcommittee. As a result of his testimony, the Subcommittee voted to appropriate $3 million to CHILDHOPE (channeled through the U.S. contribution to UNICEF) over three years to support our initiatives on behalf of street children and their families in the developing world.

We are thankful for the assistance granted to CHILDHOPE by the Subcommittee and commend it for its long-term vision in including the needs of the youngest and most vulnerable citizens of the Third World in its support for overseas development assistance. This funding has gone a long way toward advocating on behalf of, and supporting projects for, street children and their families.

The purpose of my testimony today is two-fold: (1) to advocate that the Multilateral Assistance Initiative (MAI) for the Philippines take the needs of street children into account; and (2) to request additional funding for CHILDHOPE to build on the activities started with last year's appropriation.

The Situation of Street Children in the Philippines

CHILDHOPE estimates that there are 1.2 million children in the Philippines who are working and/or living on the streets in urban areas around the country. In Metro Manila alone, government sources estimate the number of children living on the streets at between 50,000 and 75,000, with 3,000 of these estimated to be regular victims of sexual exploitation.

The underlying causes of the unconscionable situation of these boys and girls are numerous: the large external debt, poverty, environmental degradation, rapid urbanization, and the communist insurgency -- among others. In a country where 60 percent of the population lives in poverty and where the poorest 40 percent of the people have annual incomes averaging less than $213, the most vulnerable and disenfranchised are the children.

Increasingly, poverty in the Philippines -- as in much of the Third World -- is concentrating in urban areas. Rapid population growth, combined with unsustainable agricultural practices and inequitable land distribution, is forcing millions of rural-based Filipinos to move to Manila and other major cities in the Philippines in search of work. Today, 41 percent of all Filipinos live in urban areas. By 2025, that proportion will grow to 67 percent. Children and youth comprise a growing portion of this urban population; in 1987, more than half of all city dwellers were under the age of 20.

Urbanization in the Philippines is occurring at a rate that has outpaced the ability of the government to provide services to these new urban immigrants. The side effects of this increasingly urban-based poverty are devastating: a lack of access to education; the break-up of families; under- and malnourishment; inadequate health services; susceptibility to infectious diseases; exposure to harmful levels of air pollution from leaded and diesel fuel; vulnerability to AIDS and other sexually-transmitted diseases; physical and sexual abuse; drug abuse; and prostitution. All of these side effects impact most directly on the children of these poor urban dwellers, forcing increasing numbers of these children to turn to the streets to contribute to their family's meager income.

The Multilateral Assistance Initiative in the Philippines

The stated goals of the Multilateral Assistance Initiative (MAI) are admirable: "..to help the Philippines restructure its economy and alleviate its debt service in order to achieve broadly based, self-sustaining growth and to improve the quality of life." On paper, these are worthwhile objectives that would seem to encompass the needs of street children. The truth, however, is that development assistance and economic restructuring do not help the majority of Filipinos, particularly the disenfranchised urban poor.

Street children and their families live on the fringes of society, outside of public education systems, public health systems, and most other social service networks. They are witnesses to the dramatic economic and social development around them, but never actually benefit from it. Our traditional development "prescription" of health, education, nutrition, infrastructure development, family planning, agricultural development, and debt relief will never reach these children and their families unless specific steps are taken to channel this assistance through non-traditional means.

Rapid population growth, unsustainable agricultural practices, environmental degradation, are all the root causes of the urban poverty that forces children onto the streets. While we must compartmentalize our development assistance to address specific problems, we must not forget that the issues are inter-connected. We also cannot leave 1.2 Philippine children out of the development process.

A little more than a month ago, CHILDHOPE sponsored the "First Regional Conference on Street Children in Southeast Asia," in Manila. As one of the participants of that conference, I was part of CHILDHOPE's delegation that met with President Corazon Aquino at Malacanang Palace. President Aquino, as well as the Philippine government, is genuinely interested in the issue of street children. The President herself recently announced the establishment of a $1 million fund to be used to support the efforts of numerous private organizations working on behalf of street children in the Philippines.

Unfortunately, these efforts are not enough. Official reports show that only 13 percent of Manila's street children have directly benefited from these efforts. Local resources are simply not adequate to meet the needs of the growing numbers of street children.

CHILDHOPE is taking steps through its Regional Representative in the Philippines to see that the needs of street children are taken into account in the MAI. Through our Philippine contacts, we are currently lobbying the government of the Philippines to earmark a portion of MAI funding for street children. We also urge the Senate Appropriations Committee to take steps to insure that a portion of MAI funding be channeled through non-governmental organizations with a proven ability in the areas of street children and urban community development.

Street children and their families may eventually benefit from long-term economic growth. But in the interim, we must address the real and immediate needs of 1.2 million Philippine children. As President Aquino told CHILDHOPE's Board of Directors during our recent meeting:

> "Unless we can stamp out the underlying causes that lead to the growing number of street children, we shall only live along the fringes of development, continuously suffering from the vicious cycle of poverty."

CHILDHOPE's Response to the Needs of Street Children Worldwide

What CHILDHOPE has seen happening in the Philippines with the growing number of street children is occurring worldwide. Government and private services are simply unable to keep up with the growing number and needs of street children and their families. As urban migration continues in unprecedented numbers in the developing world, the situation is only likely to worsen.

CHILDHOPE estimates that there are 100 million street children in the developing world -- and that number will likely double in a generation. Approximately 75 percent of these children continue to live at home, but spend the bulk of their time working on the streets. The remaining 25 percent live and sleep on city streets at least part of the time. Specific national examples include:

-- 7 million abandoned street children and 17 million working children in Brazil;

-- 250,000 abandoned street children and 10 million working children in Mexico;

-- 100,000 children working and 4,000 children living on the streets in Ecuador;

-- 45,000 children living on the streets in the Dominican Republic;

-- 1.5 million children working on the streets in Guatemala and 1,000 to 1,500 living on the streets in Guatemala City;

-- 10,000 children living on the streets in Khartoum, Sudan;

-- 40,000 child prostitutes in Thailand.

Government and private services rarely reach more than a fraction of these children. The government of Brazil, for example, provides services for an astounding 550,000 children, yet 7 million children are still living on the streets.

In the two and a half years that it has been in existence, CHILDHOPE has advocated on behalf of these children by establishing a worldwide network of professionals working on behalf of street children. Among the specific activities we have supported are:

-- Technical and financial assistance to local programs in Asia, Africa and Latin America, that provide services to street children and their families;

-- International advocacy efforts, including local and national street children campaigns to raise awareness among private and governmental leaders;

-- The promotion of street education and other non-formal education methods to reach homeless and working street youth, as well as vocational education and income generation projects;

-- The support of innovative AIDS education projects for street children;

-- Development education designed to inform children in the industrialized world about street children in the developing world;

-- Action-oriented research projects on the conditions of street children and on especially vulnerable populations such as street girls;

-- A series of collaborative research, planning, and action projects with UNICEF in Asia, Latin America, and Africa.

The Subcommittee's funding of $3 million to CHILDHOPE in 1988 combined with funding from other sources made it possible for us to carry out these efforts. Among our 1988 accomplishments are: a month-long campaign for street children in Guatemala that culminated in 1,500 street children marching to the National Palace; co-founding the Southeast Asian Regional Network for Street Children; and expanding our network in Africa to support projects in Kenya and Senegal.

Nevertheless, we have discovered in the past year that our efforts are barely scratching the surface of the problem. Government welfare officials, CHILDHOPE representatives, and UNICEF officials report dramatically growing numbers of street children worldwide. In short, our extensive networks are of limited value without the resources to turn awareness into action.

CHILDHOPE therefore seeks $3 million in supplemental funding to build on the networks it has established worldwide. While our funding to date has allowed us to start an extensive international network, we need additional resources to enable our international representatives to support more programs, to train street educators, to promote AIDS education, to promote drug awareness education, to promote vocational training and income generating projects, and to provide health services for street children.

Conclusion

If the world's 100 million street children all lived in one country, we would be frightened into action. It would be the tenth largest -- and the poorest -- nation in the world. Virtually none of its citizens would have access to education or health services. The incidence of AIDS and other sexually transmitted diseases would be among the highest in the world, and life expectancy would be among the lowest. Foreigners from outside this street children's republic would come to sexually and economically exploit its citizens.

The fact that these 100 million children are scattered around the world makes it easier for us to ignore them. With expanded support from the U.S. Congress, however, CHILDHOPE can continue to insure that these children are not forgotten.

FACT SHEET ON STREET CHILDREN

Prepared by CHILDHOPE,
the International Movement on Behalf of Street Children

-- An estimated 100 million children live and work on city streets in the developing world -- a number roughly equivalent to the entire population of Mexico.

-- Approximately 75 percent of these street children live at home, but spend the bulk of their lives on city streets, without access to education or health systems. UNICEF estimates that one-third of all children in the developing world are forced to drop out of school by the age of 10, primarily to help with family income.

-- The rest of these street children -- known as children "of" the streets -- live, sleep and work on Third World city streets. Frequently, they sleep under bridges, in doorways or in public plazas. They are often the victims of sexual abuse, violence, and exploitation, as well as lacking access to adequate health care, nutrition, and hygiene.

-- As poverty in the Third World becomes increasingly urban-based, the number of potential street children will increase dramatically. Currently, about one-third of the population of the developing world lives in urban areas. Within 20 years, more than half of the persons of the Third World will live in cities. And the majority of these urban dwellers will live in low income, slum neighborhoods -- adding to the 600 million people worldwide who presently live in urban slums.

-- In the Philippines, an estimated 1.2 million children live and work on city streets. In Metro Manila alone, government sources estimate the number of children living on the streets at between 50,000 and 75,000. Three thousand of these children are thought to be regular victims of sexual exploitation

-- In Brazil, an estimated 7 million children live on the streets and another 17 million boys and girls work on the streets. In Mexico, 10 million children work on the streets and 250,000 live on the streets.

-- Street children and their families are the hardest hit victims of Third World debt, poverty, and urbanization in the developing world. Without comprehensive services and targeted programs to meet their needs, the vast majority of these street children are destined to lives of poverty and despair. In Sao Paulo, Brazil, for example, four-fifths of the prison population is comprised of former street children.

-- CHILDHOPE, the international advocacy organization for street children, was founded in 1986 as an inter-NGO (non-governmental) movement for street children. CHILDHOPE conducts projects in the areas of international and national advocacy, training and technical assistance for street children's projects, development education, and action-oriented research.

Questions for CHILDHOPE Testimony
July 11, 1989

1.) Why does CHILDHOPE need additional funding from the U.S. government? Does the need justify the request for funding?

2.) Why don't street children benefit from our current foreign assistance efforts?

3.) What are best types of programs for street children and their families? What kinds of projects actually work to help street children build productive lives?

4.) Does CHILDHOPE work with other international organizations? Which ones and how?

5.) How certain is CHILDHOPE of the estimates of the number of street children worldwide?

Senator **Harkin**. This comes through UNICEF?

Ms. **Rocky**. Yes; we got the money channeled through funds and trusts from UNICEF.

Senator **Harkin**. In how many countries are you operating?

Ms. **Rocky**. At this point, 10.

Senator **Harkin**. Christina, how long has it been since you have been to the Philippines?

Ms. **Cobourn**. I was there last summer for 6 weeks.

Senator **Harkin**. I understand over 35 church people have been killed in the Philippines since 1987.

Ms. **Cobourn**. That is correct.

Senator **Harkin**. Is there a pattern to these killings? Who is responsible? How do you see it from your standpoint? Have the leaders of both the Catholic and Protestant churches responded to this?

Ms. **Cobourn**. Yes; we are especially alarmed because there does appear to be a pattern to the killings. All of those who were killed have been outspoken advocates of human rights, social and economic reform, or environmental protection.

For some time now, lawyers and labor leaders, other people advocating for the poor have been targets of the military, but there have been church people killed under Marcos. The first of these was the Catholic priest, Tulio Favale, killed in 1985. Before that, there seemed to be superstition that if you killed a priest you would be in serious trouble. About 85 percent of Philippinos are Catholic. That appears to have been broken down.

We are especially concerned about the death threats that have been circulating recently on the island of Negros. I spoke to a Columban priest recently about that assassination letter which was being handed out by members of the paramilitary group. He said that they spoke to the commanding general about the letter. He said he would see what he could do. He did not deny that it had come from the military.

We are extremely concerned that people who have the courage to speak out who are not advocating a revolutionary option but are just talking about very much needed social and economic reforms, as I think all of the panelists have attested to.

We are very concerned that it is those very people who are working for the betterment of the Philippines who are at greatest risk. Church leaders have spoken out on the issue, the Association of Major Religious Superiors, and I believe the Catholic Bishops Conference has made a statement. The United Church of Christ has made several statements about the killings. They are very alarmed about the threat to their people.

Senator **Harkin**. Is it your view that increased military aid to the Philippines is counterproductive?

Ms. **Cobourn**. Yes, sir; it is.

Senator **Harkin**. How do you feel about that, Mr. Noyes?

Mr. **Noyes**. I really have no opinion on that because I have no expertise in that area. I am sorry, but I do not want to be false. No; I do not.

Senator **Harkin**. Have you spent any time in the Philippines?

Mr. **Noyes**. No; I have not.

Senator **Harkin**. How about you, Ms. Rocky? Do you think military aid is counterproductive, or should we increase military aid?

Ms. Rocky. I will plead the same case. My interest is specifically with street children and their families. I mean, certainly the military presence is ominous, but what they do is outside the realm of my own environment. I do not know.

Ms. Cobourn. Mr. Chairman, may I add just one small statement about that? It is a fact that unfortunately we are arming both sides. The New People's Army gets its arms from the Philippine military either by arms grabbing or by buying them on the black market. So we are concerned that an increase in arms will simply escalate the conflict, which is essentially social and economic in nature to begin with.

Senator Harkin. Do you feel the Aquino Government is making new strides toward attacking these economic and social injustices?

Ms. Cobourn. I think Mrs. Aquino is very well intentioned. She certainly spoke about the great need for economic and social reform when she entered office. This is not just my own opinion, but other observers believe that her intention has been focused more toward a purely military solution to the counterinsurgency, which we think is very unfortunate. The church, including the Catholic Bishops, have made a strong plea for a return to the negotiating table and the need for peace talks to work some way out of this violent escalation conflict.

Senator Harkin. Thank you all very much. I appreciate it.

STATEMENTS OF:

JOHN CRAMP, CHAIRMAN OF THE BOARD, JERUSALEM ELWYN

GEORGE CROWELL, ASSOCIATE DEAN, SAIS, JOHNS HOPKINS UNIVERSITY

THOMAS SCANLON, EXECUTIVE DIRECTOR, FUDAN FOUNDATION AND THE AMERICAN HOSPITAL IN SHANGHAI FOUNDATION

NAJEEB HALABY, FORMER CHAIRMAN, BOARD OF TRUSTEES, AMERICAN UNIVERSITY OF BEIRUT

Senator Harkin. Our next panel will be John Cramp, chairman of the board, Jerusalem Elwyn; George Crowell, associate dean of SAIS; Thomas Scanlon, executive director of the Fudan Foundation; and Najeeb Halaby, former chairman and board of trustees, American University of Beirut.

First, I will recognize John Cramp, chairman of the board of Jerusalem Elwyn.

STATEMENT OF JOHN CRAMP

Mr. Cramp. Thank you, Senator. My name is John Cramp. I am from Pennsylvania. I am a volunteer member of the board of Elwyn, Incorporated, and I am chairman of the board of its branch in Israel, Jerusalem Elwyn.

Since 1852, Elwyn has cared for the mentally retarded and the multiply disabled, and in 1984, Senator, we were invited to Israel by the Israeli Government after it had studied programs around the world to establish model programs for the mentally handicapped and the multiply disabled in the city of Jerusalem. We served both the Arab and the non-Arab populations in East and West Jerusalem.

Since 1987, for the 1988 fiscal year we have attempted to receive a grant through ASHA under AID so that we could expand our programs for the programs in East and West Jerusalem. Our programs, I emphasize, are nonsectarian, are charitable in nature, are totally nonprofit, and serve the Arab and the Israeli populations.

We were denied that grant because we were informed by ASHA that institutions for the mentally handicapped and the mentally retarded, by some logic, did not come under the definition for aid under the ASHA program. We read it. We read it carefully. We think that is erroneous. We understand that some members of this committee agree with our interpretation.

PREPARED STATEMENT

We seek an opportunity, Senator, to get on line and to be recognized as an appropriate agency so that we can make our application and get a grant so that we can continue our services to that population. We think we clearly represent America abroad. We think we represent the highest ideals of America abroad. Short of being able to change AID's definition of programs eligible under the ASHA program, which an amendment to the House Foreign Aid Authorization Bill has already done, we would then seek the endorsement and assistance of your committee to impress upon ASHA and AID the absolute worthiness of our cause so that we can indeed have our opportunity.

[The statement follows:]

STATEMENT OF JOHN F. CRAMP

Thank you Mr. Chairman for the opportunity to express our views on this most important of issues, foreign assistance. I would like to begin by pointing out what we believe to be a serious injustice which needs to be addressed. As many of the members of this esteemed subcommittee are aware, officials of AID and the American Schools and Hospitals Abroad program have indicated their view in private meetings and in hearings before this subcommittee that programs exclusively dedicated to training and meeting the needs of handicapped individuals are not qualified for ASHA funding under section 214 of the Foreign Assistance Act. This has been stated on more than one occasion by the Administrator of AID and ASHA officials. Though it would seem that in 1989 it is superfluous to state that such a view is counter to American values and mores, apparently there is a need to comment on this issue at this time.

It is gratifying to note that public awareness in the United States regarding disabled persons and the contributions which they can make to society has increased considerably. Today, disabled individuals, following proper education and training, are able to live lives of dignity minimizing their dependence on society. In this country we have come to recognize that by addressing the special needs of disabled individuals and by providing appropriate training they can become more independent. As a result, they have a much higher self-image, and, no less important, the society at large has come to recognize them as full-fledged, contributing members.

Numerous federal and state studies have shown that there is a significant economic value to training disabled persons to live and work as independently as possible. Every dollar invested in rehabilitation and training can save the taxpayers an enormous amount of funds which would otherwise go toward long-term care costs, and welfare payments. Simply put, investing in training disabled persons is an investment in their and our future. This principle has become recognized in the United States and most western countries.

It is therefore incredible that a federal agency such as AID should neglect to recognize this fact. It is a fact that AID and ASHA have not seen fit to provide funds for a program which has blazed new trails in training disabled persons, provides relief for families, realistic rehabilitation models and training for professionals, and portrays a very positive image of Americans as concerned sharing humanitarians. The reasoning given, for not considering such programs specifically targetted for disabled people, is that they are not qualified under section 214 of the Foreign Assistance Act.

The organization in question is Elwyn, a non-profit, non-sectarian American organization which began operating quality programs for training mentally disabled persons in 1852. In August, 1987, Elwyn submitted a grant application for $2,750,000 to AID to develop a comprehensive network of rehabilitation services in Jerusalem and the West Bank for mentally retarded children and adults. Elwyn's accomplishments in the United States are well known, currently serving over 8,500 disabled individuals in four states, Elwyn has been in the forefront of the movement toward helping disabled persons learn to live and work as independently as possible. Elwyn has received countless awards and commendations, and in the last 25 years has developed an international reputation for unsurpassed quality of services. In describing Elwyn's network of services and its ability to respond to the changing needs of the community, Dr. Edward Zigler, Sterling Professor of Psychology at Yale University and advisor to four U.S. Presidents, recently called Elwyn "the finest facility for handicapped individuals in the world."

Some years ago, at the invitation of the Municipality of Jerusalem and the Government of Israel, Elwyn established rehabilitation programs for disabled persons in Jerusalem. Such programs are operated in East and West Jerusalem, serving Moslems, Christians, and Jews alike. Elwyn's goal in Jerusalem is to provide a comprehensive service model by which all mentally disabled persons are able to receive training to reach their highest potential for independent living. The programs in Jerusalem are intended to prepare such individuals for competitive employment and independent functioning in society. Elwyn has received accolades from the Israeli government, the Mayor of Jerusalem, two United States Consuls General, and Palestinian leaders. In fact, Elwyn's initial proposal made to AID was brought about by the suggestion of the U.S. Consul General in Jerusalem at that time, Morris Draper.

Despite numerous requests made by this honorable subcommittee, most notably in the full committee report for the 1989 Appropriation Bill, AID and ASHA have refused to re-evaluate their discriminatory policy regarding funding programs in foreign countries which train disabled persons. It is our belief that Elwyn's programs in Jerusalem represent the finest of American values: independence and dignity for neglected handicapped people. Furthermore, serving both Arabs and Jews, Elwyn is making a unique contribution to the co-existence of the two peoples in accordance with United States policy.

It is our belief that a stalemate has been reached since AID and ASHA have not accepted the request of members of this subcommittee to re-evaluate its policy. As a result, we propose that an amendment be made to the Foreign Assistance Act which will stipulate that programs training handicapped individuals be eligible for ASHA funds.

Such an amendment was accepted by the House of Representatives to H.R. 2655, Section 1701, American Schools & Hospitals. This amendment was offered by Representative Curt Weldon to the Foreign Assistance Act Authorization Bill. It defined schools for the purpose of ASHA as including "any facility which provides activities of daily life training, vocational education, and related services to the mentally retarded." This amendment received the support of countless national rehabilitation organizations including: The Council for Exceptional Children, National Association of Private Residential Resources, National Rehabilitation Association, and National Association of Rehabilitation Facilities. We now turn to the Senate for similar support. We believe that such an amendment will express clearly to the entire world that the United States stands by its belief that training handicapped persons is a worthy and essential endeavor. Such a message to developing nations would be truly within the intention of foreign assistance, that is, bringing the best of American values and ideals to the peoples of the world, and helping them realize them.

Thank you Mr. Chairman for the opportunity to express our opinions on this crucial matter. We greatly appreciate the support we have received from members of this esteemed committee as well as their staff, and look forward to further cooperation until this great wrong is righted.

Senator HARKIN. Please enlighten me. Do we have to make a change in the law to do this?

Mr. CRAMP. We think a change is not literally required, but certainly because of the opposition we have experienced through ASHA, a change in the law would make it simpler. To that extent, Representative Weldon of Delaware County, PA, our home county, introduced into the House an amendment to the authorization bill which passed.

Now, whether or not that comes before your committee or before the floor of the Senate, I am not expert enough to understand. If it does, then we indeed ask for your support. If it does not, then we ask for your assistance in impressing upon AID and ASHA the fact that we indeed are an appropriate organization.

Merely because we service mentally retarded people is an outrageous reason to deny to us the opportunity to come within the parameters of the American Schools and Hospitals Abroad Program. We serve a population equally important. We cannot understand an attitude which says to that population that you are somehow denied the opportunity to have the support of this great Government. The whole principle of ASHA and AID is to foster the American ideals within other countries. We think we are doing that in its highest possible level.

Senator **Harkin**. Evidently ASHA turned you down on the basis that mentally and physically handicapped people do not fit within the basic mandate?

Mr. **Cramp**. That is correct.

Senator **Harkin**. That they are incapable of having fostered within them the American ideals and values?

Mr. **Cramp**. Precisely. That ignores obviously the many levels of mental retardation. We have high functioning, low functioning; we have people in a competitive setting; we have retarded people caring for elderly people. To say with just one broad statement that all mentally retarded people are somehow incapable of understanding American ideals is an outrageous thought.

We take a very strong position on this, sir, and we ask for your help.

Senator **Harkin**. As chairman of the Handicapped Subcommittee here in the Senate, I find it outrageous, also.

Mr. **Cramp**. Thank you. I am very happy to know that.

Senator **Harkin**. Without getting into the merits of your own situation, I mean this is just mind boggling that they would take that kind of position.

Mr. **Cramp**. I find myself in that same position, and it is difficult for me to be other than dramatic in my statements.

Senator **Harkin**. Well, I think we will change it. Thank you.

Mr. **Cramp**. Thank you, sir.

STATEMENT OF GEORGE CROWELL

Senator **Harkin**. George Crowell, assistant dean of SAIS, Johns Hopkins University.

Mr. **Crowell**. Thank you, Mr. Chairman. I appreciate this opportunity to testify on behalf of two parts of our school located overseas, the Bologna Center in Italy and the Hopkins Nanjing Center in China. Both are recipients of funding from ASHA set forth in the Foreign Assistance Program.

Obviously there are events taking place in Europe and China now for which the United States will be dealing for the remainder of this century and beyond. We feel that the United States has two very unique national resources in our Bologna and Hopkins Nanjing centers. We are training for the next generation of U.S. specialists in Europe and China and many non-Americans who specialize in the United States, the products of these two centers are very much in the national interest and contributes importantly to our competitiveness.

In these two centers we provide an American style graduate level education in international relations and economics, taught in English, for these future leaders from the United States in more than 25 different countries. In Bologna, the American students are taught in English. In Nanjing, they are taught in Mandarin Chinese, while the Chinese students take their classes in English.

These institutions fully meet the criteria established for ASHA programs, demonstrating American ideals, values and practices while at the same time providing expanded opportunities for citizens of the United States and foreign countries.

Specifically, these centers are giving a select group of Americans the knowledge, the cultural understanding, and the language skills they will need to improve America's global competitive position and our country's international affairs competence.

The obvious importance of having an American university in Europe where Americans, Europeans, and non-Americans receive advanced training cannot be overestimated. If American professionals in the public and the private sectors are to fully understand the process of European integration, they must experience it firsthand. If Europe's future leaders are to collaborate with the United States, they must have direct contact with the next generation.

At the Hopkins Nanjing Center we opened with Nanjing University, the first fully jointly funded and jointly administered educational venture since the opening of relations. This center has been developed as an innovator in Sino-American academic cooperation, library usage and language training.

Most of the Chinese who come there are given their initial exposure to American-style methods of instructions. We have an open stack library, an American reserve system, roommates are both Chinese and American in every instance; things which are not happening anyplace else in the country at this time.

Chinese scholars from other universities come to our center to teach American students and are themselves given the opportunity to develop intellectual and academic contacts; again, not possible in most of China.

The products of this joint enterprise are obviously an indispensible network of trained and uniquely qualified professionals in both the public and private sectors both on the Chinese and American side.

The quality of future interaction of all nations depends on this kind of mutual understanding and development of strong personal relationships which happens both in China and in Bologna.

The current situation in China obviously points to the need for an institution like this. It is particularly critical that young Chinese minds have a place where they can discuss issues openly with their American colleagues and with their Chinese professors.

It is not easy to find these institutions despite their importance. The university makes some financial contributions from tuitions, but the university's resources are limited. Alumni are helpful, but their donations are small. Corporations and foundations play a part but not a major role.

So the role of Government funding is critical, and the role of the presence of U.S. funding is very, very important to us. We get funding from the Italian Government for Bologna and the Chinese Government by way of the university making a contribution to Nanjing.

PREPARED STATEMENT

We are working on private sources, we are developing sources which are interested in both projects, but we need the support from ASHA to continue these projects. We would ask that the support for these institutions be continued and that the committee look favorably on ASHA's request for the $40 million level. Despite these constraints we are very proud of what has happened in these two centers, and we ask for your support.

Senator HARKIN. Thank you very much.

[The statement follows:]

STATEMENT OF GEORGE L. CROWELL

Good afternoon. My name is George L. Crowell, and I am associate dean of The Paul H. Nitze School of Advanced International Studies of The Johns Hopkins University. Our dean, George R. Packard, is currently out of the country.

I am here today to testify on behalf of two parts of our School located overseas, the Bologna Center in Italy and the Hopkins-Nanjing Center in China. Both are recipients of funding from the American Schools and Hospitals Abroad Program set forth in the Foreign Assistance Act.

The Johns Hopkins University Bologna and Nanjing Centers constitute unique national resources by providing American-style, graduate-level international relations and economics instruction in English to future leaders from the U.S. and more than 25 foreign countries. In Bologna, the program's American students are also taught in English; in Nanjing, they are taught in Mandarin Chinese, while the Chinese students take their courses in English. These institutions meet fully the program criteria established for the ASHA Program, demonstrating American ideals, values and practices, while at the same time providing expanded educational opportunities for citizens of the United States and foreign countries. More specifically, the international relations centers are giving a select group of young Americans the knowledge, cultural understanding, and language skills they will need to improve America's global competitive position and our nation's international affairs competence. At a time of dynamic change within both China and the Atlantic Alliance, it also is essential that the United States maintain a vigorous presence in the international academic community and continue to project the voice of freedom and democracy through its educational institutions. It is an area where Hopkins has demonstrated unqualified leadership over the years.

I turn now to the Bologna Center.

The primary purpose of the Bologna Center is to educate and prepare students, both American and non-American, for professional careers in international affairs through the study of political science and economics and their application to international relations and foreign policy issues.

Two types of "development" questions are presently at the forefront of the Bologna Center's concern: the remarkable new development of potentially the world's largest and most rapidly growing major economy in Western Europe, and the slower, but no less important, development in the Third World.

A profound change is occurring on the other side of the Atlantic. After over 30 years of working to achieve a true "Common Market," the European Community is about to realize that goal. Among the twelve Member Countries of the EC, there is a strong feeling of common purpose and determination to push forward with "Project 1992," which will create a burgeoning united internal market of some 320 million consumers, estimated to grow at a rate of five percent over the first few years. While the effects of 1992 are yet to be calculated, it will undoubtedly have a major impact on political and economic relations in the international arena.

At the same time, the reforms and transformations taking place in the Soviet Union and Eastern Europe add another significant dimension to the development of Europe. As Michael Aho, director of Economic Studies of the Council on Foreign Relations, has said about the European Community, "... a slumbering giant is waking up and the United States had better pay attention."

The importance of having an American university in Europe where Americans, Europeans and other non-Americans receive advanced training in international studies cannot be overestimated. If American professionals in the public and private sectors are to understand fully the process of European integration, they must experience it first-hand. If Europe's future leaders are to collaborate with the United States, they must have direct contact with its next generation. If both are to understand the dangers of the development of "Fortress Europe," they must be able to put it into its proper context.

The best way to assure the continuation of cooperation and collaboration between Europe and America is to educate the next generation of transatlantic leaders so that they understand the changing world which they are entering. The best location to study and observe the transitions taking place in Western Europe and in the East bloc, and the subsequent adjustments in East-West relations, is within Western Europe itself.

The Bologna Center has developed a reputation as one of the premier graduate institutions on the Continent in which to pursue an interdisciplinary program of international relations. As a result, the Center serves as a meeting place for the next generation of American, European, and world leaders in an environment where communication skills are developed and friendships are formed. This spirit of community and cooperation is carried into the international arena to promote closer ties among nations of the world.

However important future relations between Europe and America may be, relations between developed and developing countries cannot be overlooked, as East and West, North and South are inextricably linked. The Center is dedicated to providing a basis for the study of North-South relations by offering appropriate courses in each of its areas of concentration -- International Economics, International Relations, and European Studies, as well in languages. The courses in International Economics focusing on economic development deal with crucial questions in North-South relations: trade liberalization and negotiations; financial flows; the debt crisis and the role of international financial institutions. International Relations courses investigate superpower hegemony in the Third World; politics in Africa, Latin America and the Middle East; arms control and security concerns; and sociological and environmental issues. European Studies offers courses in the evolution of Western Europe's relations with the Third World, including those between the EEC and ACP countries; the North-South dialogue; decolonialization and the resulting special relations between European countries and the developing world.

The Center also supports a small but significant number of carefully selected students from developing countries who study at an institution which maintains the highest academic standards where they share their knowledge, experience and cultural traditions with colleagues from the United States and other industrialized countries.

The multinationality of the Bologna Center student body is one of the school's most distinguishing features and important assets. In academic year 1989-90 the Bologna Center expects to enroll students from over 30 countries: Argentina, Austria, Bahrein, Belgium, Bolivia, Bulgaria, Chile, People's Republic of China, Colombia, Denmark, Egypt, Ethiopia, Federal Republic of Germany, Finland, France, German Democratic Republic, Greece, Hungary, Iceland, Iraq, Ireland, Italy, Japan, Korea, Netherlands, Nigeria, Norway, Mexico, Poland, Portugal, Spain, Sweden, Turkey, Yugoslavia, the United States, and the United Kingdom.

The Bologna Center is a private institution which is an integral part of The Paul H. Nitze School of Advanced International Studies of The Johns Hopkins University. Under a long-standing policy of the University, the Bologna Center must support itself financially. The revenue comes largely from students' tuition, yet tuition alone is not enough to maintain the School. Continuation of the Center's program is assured by grants from the U.S. and Italian governments, which together provide about 20 percent of the School's income.

To a small-scale institution with 150 students, the support provided by the American Schools and Hospitals Abroad Program is invaluable. At a time when a new Europe is emerging, with dramatic changes in East-West relations, sharp debate within NATO, the re-emergence of Germany on the world stage, and the increasing unity of the Common Market, it is critical that we not force cutbacks in the only U.S. graduate school of international affairs in Europe and the intellectual capital associated with it. It is vital that we continued to enable such a institution to thrive, not only for Americans to gain exposure to their European and non-European counterparts, but for Europeans and students from other nations to learn from Americans students this country's traditions and ideals. I strongly hope that members of the Committee will agree.

I turn now to the Hopkins-Nanjing Center.

The Johns Hopkins University-Nanjing University Center for Chinese and American Studies located in Nanjing, China is the first jointly funded and jointly administered educational venture in the People's Republic of China since the resumption of diplomatic relations between our two countries. Opened in 1986 in a new facility on the Nanjing University campus, the Center houses up to 50 Chinese and 50 American students annually as well as American faculty and their families, Chinese professors, and visiting scholars from various countries.

The Center's purpose is to enhance the scope of current Sino-American educational facilities and curricula for the advanced professional training in tandem Chinese and Americans currently involved in or planning careers in some aspect of Sino-American relations such as business, banking, trade, diplomacy, law, journalism, education, or non-profit administration.

The Center is being developed as an innovator in Sino-American academic cooperation, library usage and advanced language training. Most of the Chinese students are being given their initial exposure to American-style methods of instruction. The Center's library is one of the first open-stack libraries in the People's Republic of China and one of the first to use the American book reserve system. Adding two thousand new titles per year to the English language collection, the Center obtains more newly published material, and obtains it faster, than other libraries in China, and thus is a unique resource for Chinese and China scholars studying current issues.

The product of this joint expertise will be an indispensable network of jointly trained and uniquely skilled professionals in public and private areas of Sino-American relations in both nations. The security of our world and the productive commercial interaction between our two nations depend on the mutual understanding and the development of strong personal relationships between our future leaders that the Hopkins-Nanjing Center offers.

The opening of the Hopkins-Nanjing Center in September 1986 brought to fruition seven years of planning and negotiations between The Johns Hopkins University and Nanjing University. While jointly administered by these two universities, the Center serves as a national resource for each country. Chinese and American faculty and students are selected on a nationwide competitive basis in each country.

The two-semester, post-graduate curriculum focuses on economics, trade, politics, international relations, foreign policy, and modern history and society. Doing all their reading and written work using Chinese, American students study under Chinese professors while Chinese students use English while studying under American faculty. Advanced language instruction utilizing a state-of-the-art language laboratory is also an integral part of the curriculum. The Center is comprised of a 300-seat auditorium complete with simultaneous translation capability, an open-stack library of more than 32,000 books and 400 periodicals to date, and residential facilities for visiting scholars and speakers. Seminars, conferences and summer institutes for the business community, government agencies, and other constituencies are being developed at the Center to take full advantage of these facilities.

The Center represents an unprecedented venture for the Chinese in many respects: in their material commitment; in the truly joint nature of the program, with Chinese and American co-administration and consultation on curriculum and with American and Chinese students living together; in the uncensored open-stack library; and in the integration of Chinese professors from various universities into an American studies center for the first time. In these and many other ways, the Chinese are taking a big risk. Indeed, through the Hopkins-Nanjing Center, they are experimenting with an open society.

Again, almost all of the Chinese students at the Center are being exposed to an American educational experience for the first time. They are accustomed to a very pedantic classroom situation, usually with one text book and little, if any, discussion. At the Center, they are required to read materials with conflicting points of view and to participate in classroom discussion of the authors' varying opinions. They are asked to state opinions on the material they are reading and to debate opposing points of view. Their course papers are expected to be original, graduate-level research, properly presented. The Center uses teaching assistants called "class discussants," which provides for American students to assist American professors by holding separate out-of-class discussion groups with the Chinese students. It has proven to be highly effective in furthering frank sharing of views.

Each year elections are held at the Center for class representatives (two Chinese and two Americans) with the entire student body voting. This is an unprecedented step for an educational institution in the People's Republic of China. These four representatives are spokespersons for issues the students wish to address to the Center administrators. This not only contributes greatly to student involvement in the Center but also gives the Chinese a first-hand experience in the elective process.

Extracurricular activities at the Center also expose the Chinese students to American ideas, attitudes, and customs. Many scholarly lectures are presented, numerous contemporary and classic American films are shown, and there are several American style socials including square dancing, a Halloween costume party, and a Thanksgiving dinner. In the spring semester 1989, the students put on a production of an American musical. The

Center's library, cafeteria and student lounge are also gathering places for the students to have informal contact and conversation and to learn more about each other's cultures and systems.

The Johns Hopkins University signed an agreement with Nanjing University making a five-year commitment from the date of the Center's opening to fulfill its obligations to ensure the Center's successful operation. Both sides invested so heavily in the Center and built such an impressive physical plant because of their long-term commitment to the program, and all expect that it will be a program lasting indefinitely into the future, providing trained professionals to the U.S.-China relationship and serving as a model for other such institutions.

We believe it is not too strong to say that the failure of Johns Hopkins to fulfill the financial objectives necessary to achieve the Center's goals -- goals applauded as nationally significant by top representatives of the United States government -- let alone to honor the commitment made to its Chinese partners, would be a tremendous set-back to the mission the Center undertook and to Chinese confidence in our belief in that mission.

A decision by ASHA not to continue support to the Hopkins-Nanjing Center would require a more massive infusion of unrestricted funds to this program than Johns Hopkins can continue to provide. This program is gaining in visibility and in quality at a time when its program must continue to solidify in order to secure a reputation that will attract the requisite kind of faculty, student body, and private funding.

As the Johns Hopkins funding is being stabilized at a lower level than was possible in the program's first three years, and the momentum for private sector support is just beginning, it is crucial that assistance such as that from ASHA be made available. Indeed, without continued ASHA funding, we can expect serious difficulty for core programs such as the library, English language training for the Chinese students, and faculty selection. Extracurricular areas of the Center will suffer as well, particularly those elements such as conferences, seminars, lectures, and field trips, the very elements so attractive to potential private sector funders.

The current situation in China points up all the more the need for an institution like the Hopkins-Nanjing Center. It is particularly critical now that some of the brightest young minds in China, those well positioned to have an impact on future economic development and strategic policy issues, have an educational opportunity such as the Center provides on their own soil. The Center's mission has become all the more valuable as a forum for uncensored information about the American system and values to be presented to these students with an unfettered opportunity for dialogue and interaction with young American graduate students and American faculty from top institutions around the United States.

The renewed support from ASHA is therefore critical in this period of potential shortfall between the University's unrestricted support and private sector support for the Center. Since the Hopkins-Nanjing Center meets almost every one of the ASHA Program criteria listed in the 1988 Foreign Operations Committee report, we are hopeful that continued ASHA assistance will be possible during this period of transition in the Center's financial backing.

In closing, let me reiterate my belief that we have in the Bologna and Nanjing Centers unique national resources that fully comply with the criteria established for the American Schools and

Hospitals Abroad Program. Demonstrating American ideals, values and practices, these institutions provide an exceptional educational opportunity for Americans and citizens of foreign countries.

At the same time, these Centers permit a select group of young Americans to gain the knowledge, cultural understanding, and language skills they will need to improve U.S. international competitiveness and foreign affairs competence. We must also continue to project the voice of freedom and democracy through America's overseas educational institutions, such as Johns Hopkins's Bologna and Nanjing Centers.

The American Schools and Hospitals Abroad Program is essential if we are to do that. I hope the Committee will continue to support funding of the program at the $40 million level even in this financially difficult period. And, I hope you will share with me pride in what two recipients of those funds -- The Johns Hopkins University's Bolcgna and Nanjing Centers -- have accomplished.

Thank you for the privilege of testifying.

STATEMENT OF THOMAS SCANLON

Senator HARKIN. Mr. Thomas Scanlon, executive director of the Fudan Foundation and the American Hospital in Shanghai Foundation.

Mr. SCANLON. Thank you, Mr. Chairman, for the opportunity to appear before your subcommittee today. With your permission, I would like to have my prepared testimony submitted for the record and then briefly summarize my statement.

I am here today to thank you for your support of our work in China and to provide you with a brief progress report on the projects in Shanghai being sponsored by each of our foundations.

In addition, I want to express my support for the American Schools and Hospitals Abroad Program under AID which has provided funds for our China projects.

Although I understand the constraints of a very tight budget this year, I urge you to appropriate the full amount authorized, $45 million, for the ASHA program. The Fudan Foundation supports the development of American educational facilities and programs at Fudan University in Shanghai. The foundation is currently sponsoring two academic centers at Fudan: The Center for American Studies, which is a resource for training Chinese students in such areas as American culture, history, political institutions, government, and economics; and the Thomas H. Morgan Science Center, which will provide training in the natural sciences, including genetics, microbiology, biochemistry, environmental science, and related scientific fields.

I am pleased to report that all the work we are doing with the AID/ASHA funds is proceeding very well despite the problems that we have had in the last several months. The renovation work at the Center for American Studies and the faculty housing unit have now been completed, and we plan to inaugurate them next month.

After completing the renovation projects, the foundation will concentrate on construction of a new Center for American Studies and will begin the preliminary design for the new Morgan Science Center.

I am also pleased to report that the John D. and Catherine T. MacArthur Foundation of Chicago has made a $25,000 contribution to the Fudan Foundation for procurement of additional library materials. They have also expressed interest in supporting the foundation's academic exchange program, and discussions are being held about additional MacArthur funding in 1990.

The American Hospital in Shanghai supports the development of American medical treatment and teaching facilities and programs at the Shanghai Center.

First, the People's Hospital. The first phase of this project is a new modern medical facility which will provide high quality medical care with state of the art equipment and technology. Visiting American doctors and nurses will work with their Chinese counterparts in an up-to-date medical teaching program.

ASHA funds have been used to construct and equip the Sino-American Medical Unit located on the 6th and 7th floors of the First People's Hospital. In addition, a portion of the funds is being used to plan and design the new Sino-American Friendship Medical Center, which will be devoted to the teaching and practice of modern diagnostic medicine.

The foundation hopes to receive a major portion of the supplies and equipment for the medical units through donations from American and other medical equipment companies located in the United States, Hong Kong, and China. In fact, we recently helped to arrange a donation by the Americares Foundation of over $600,000 in pharmaceutical supplies to the Shanghai Municipal Health Bureau for distribution to hospitals and clinics throughout the city. We are working with Americares to expand this effort to donate medical supplies to Chinese medical facilities.

Mr. Chairman, I appreciate very much the time you have given me to discuss the work of our foundations. I urge you to provide full funding for the ASHA program so that funds can continue to be made available for projects like those in Shanghai which contribute to U.S. interests abroad.

PREPARED STATEMENT

Especially, I would like to urge you during this very difficult time to keep the bridge open between projects like the ASHA program and our foundation and the elements in China of a moderate background who have a tremendous interest in maintaining productive relationships with their friends in the United States.

Thank you very much.

[The statement follows:]

STATEMENT OF THOMAS J. SCANLON

Mr. Chairman, thank you for the opportunity to appear before your subcomittee today. My name is Tom Scanlon. I am the Executive Director of two non-profit foundations -- the Fudan Foundation and the American Hospital in Shanghai Foundation -- which were established in 1986 by a group of U.S. citizens to build upon the normalization of relations between the U.S. and China. The foundations are dedicated to improving Sino-American relations through the development of cooperative projects in China which can increase mutual understanding and rebuild Sino-American exchanges in such fields as education, science, technology, medicine, and trade.

I am here today to thank you for your support of our work in China and to provide you with a brief progress report on the projects in Shanghai being sponsored by each of our foundations. In addition, I want to express my support for the American Schools and Hospitals Abroad (ASHA) program under AID which has provided funds for our China projects. Although I understand the constraints of a very tight budget this year, I urge you to appropriate the full amount authorized for the ASHA program.

FUDAN FOUNDATION

Fudan Foundation supports the development of American educational facilities and programs at Fudan University in Shanghai, China. The foundation is sponsoring two academic centers at Fudan:

- The Center for American Studies will be a resource for training Chinese students in such areas as American culture, history, political institutions, government and economics. The faculty will include visiting scholars, public officials, and others from American universities, government, and business.

- The Thomas H. Morgan Science Center will provide training in the natural sciences, including genetics, microbiology, biochemistry, environmental science, and related scientific fields of study. Visiting American scholars and professionals will conduct courses, supervise research, and guide students in independent studies.

ASHA funds are being used to procure services, commodities and equipment to renovate and equip existing facilities of Fudan University to house the Center for American Studies (CAS) and a faculty housing building. The Foundation is also procuring library materials for both the CAS and the Science Center. A portion of the funds is being used to undertake preliminary planning and design of a new building for the Center for American Studies and the Morgan Science Center to support the educational programs of the two centers.

In addition, ASHA funds will be used to design and begin construction of a 7,000 sq. meter building to house the new Center for American Studies, which will including a library, meeting rooms and a 500 seat auditorium.

The renovation work at the Center for American Studies and the Faculty Housing unit is near completion. In fact, these facilities have already been used by the Foundation's first two visiting lecturers during the Spring, 1989 semester.

After completing the renovation projects, the Foundation will concentrate on construction of a new Center for American Studies. Our architects have made further progress on the planning and design of the new CAS. The Foundation expects to begin site preparation for the new facility shortly.

To support the science programs of the Morgan Science Center, the Foundation will also procure library materials and begin preliminary design of the new Morgan Science Center. However, the Foundation's primary objective is to focus its resources on construction and program development at the CAS before directing substantial resources to the Science Center.

During the first quarter of 1989, the Foundation shipped its first order of library books to the CAS. The shipment included over 4,000 volumes purchased with funds received from ASHA, valued at approximately $120,000, and the donated collections of Drs. Theodore White and John K. Fairbank. The books were received in mid-March, and will be delivered to the library, after customs clearance, in April, 1989. The foundation also placed a second order for books in the following subjects: American History, American Literature, American Government, Economics, International Relations and American Foreign Policy, Statistics and Research Methods, and general reference.

In addition, The John D. and Catherine T. MacArthur Foundation of Chicago has made a $25,000 contribution to the Fudan Foundation for procurement of additional library materials. They have also expressed interest in supporting our academic exchange program and we are discussing with them a proposal for additional funding.

Earlier this year, the Fudan Foundation selected two individuals, distinguished in their respective fields, to teach at the Center for American Studies this past semester. Mr. Ray Jenkins, Editor of the Baltimore Sun and a Pulitzer Prize winner, taught a course in American Journalism and Mr. Alan Morrison, a very prominent attorney and Director of the Public Citizen Litigation Group, lectured on American Law and the relationship among Congress, the media and the law in the United States. The Foundation is proud to have had these two individuals initiate our American Studies program at Fudan University.

THE AMERICAN HOSPITAL IN SHANGHAI FOUNDATION

The American Hospital in Shanghai Foundation (AHSF) supports the development of American medical treatment and teaching facilities and programs at the Shanghai First People's Hospital. The first phase of this project is a new, modern medical facility at the First People's Hospital which will provide high-quality medical care with state-of-the-art equipment and technology. Visiting American doctors and nurses will work with their Chinese counterparts in an up-to-date medical teaching program.

The American Medical Center in Shanghai, composed of both the Sino-American Medical Unit and the Sino-American Friendship Medical Center, will integrate Chinese and American medical staff and equipment into the Chinese health care environment.

ASHA funds are being used to procure professional services, commodities, and equipment to construct and outfit the Sino-American Medical Unit located on the 6th and 7th floors of the First People's Hospital. In addition, a portion of the funds is being used to plan and design the new Sino-American Friendship Medical Center which will be a branch facility of the hospital devoted to the teaching and practice of modern diagnostic medicine.

The medical unit has been designed to fulfill the need for a modern surgical ward and support facilities at the hospital. The unit will have 15 patient care rooms outfitted to American hospital standards and will be serviced by a dedicated elevator. These facilities will serve the dual function of providing modern surgical and medical care in Shanghai and demonstrating American medical technology and delivery systems to Chinese health care professionals. The foundation hopes to receive a major portion of the equipment for the surgical units through donations from American and other medical equipment companies located in the U.S., Hong Kong, and China.

In addition to the new facilities, the foundation will provide American medical staff to the unit to train Chinese medical professionals in the use and maintenance of the facilities. The American staff will cooperate with the Chinese to integrate American medical procedures and delivery systems into the Chinese health care environment.

Finally, I want to point out that the foundation has also participated with another American charitable organization, the Americares Foundation, to supply over $600,000 in pharmaceutical supplies to the Shanghai Municipal Health Bureau for distribution to hospitals and clinics throughout the city. We are working with Americares to expand this effort to donate medical supplies to Chinese medical facilities.

CONCLUSION

The American educational and medical facilities in China sponsored by our foundations will serve not only as demonstration centers for American teaching programs but also as showcases for American products and services creating both goodwill and trade opportunities for U.S. business. The success of these projects has established a foundation for future cooperation between the United States and China in people-to-people exchanges. We look forward to exploring further opportunities for enhancing this work.

Mr. Chairman, I appreciate very much the time you have given me to discuss the work of our foundations in China. I again urge you to provide full funding for the ASHA program so that funds can continue to be made available for projects like those in Shanghai which contribute to U.S. interests abroad.

Thank you.

Senator HARKIN. I understand that the administration requested zero funding for the Bologna project; is that right?

Mr. CROWELL. For this year, that is correct.

Senator HARKIN. Fudan was cut back?

Mr. SCANLON. Yes, sir; the levels that they have given us amount to a substantial reduction, 75 percent of last year's grant.

Senator HARKIN. That was before all of the recent upheaval in China, was it not?

Mr. SCANLON. Well, I formally learned of the decision just yesterday from ASHA that the program had been cut back to $1 million total.

Senator HARKIN. So, was that decision made after the recent upheaval in China?

Mr. SCANLON. Senator, I am quite confident the decision was made in the light of recent developments in China.

Senator HARKIN. It was cut back how much?

Mr. SCANLON. From $4 million to $1 million.

Senator HARKIN. That seems odd to me. Here we have a people-to-people program, with the people whose side we are on, who are fighting the government in China. We cut back on that, and yet we sell the government airplanes.

Did I miss something?

Mr. **Scanlon**. The other thing, Senator, is that we are probably one of the principal places in China now where American institutions and American democratic processes are being taught.

Senator **Harkin**. I had a Chinese professor from Fudan University who interned in my office for a half year. He teaches American studies at Fudan University. I met with Dr. Xie Xide, who is the president; right?

Mr. **Scanlon**. She just retired as president of the university. She is still head of the Center for American Studies.

Senator **Harkin**. Thank you. We will see what we can do about that.

STATEMENT OF NAJEEB HALABY

Next, Mr. Najeeb Halaby, former chairman, board of trustees, American University of Beirut. Welcome.

Mr. **Halaby**. Thank you, Mr. Chairman. It is nice to be with a fellow naval aviator. My wife and I were flying back from the West to be here, and we were flying over the great State of Iowa. She said I hear you are going to testify before Tom Harkin. I said yes. She said what are you going to say? I said, well, I am going to ask him if I can put about a 4-page statement in the record and then speak from the heart. She said go to it.

I am here for the American University of Beirut. The U.S. Government has been supporting this university for 123 years, earlier through the missionaries and later through AID, which has reached a peak of $11.5 million.

I guess the reason is that it symbolizes the best of America in the Arab Middle East. It is not commercial. It is not military. It is private. It is nonprofit. It is independent. It is nonsectarian. It separates church from state in its teachings, and it is a liberal arts institution in the highest traditions of American education.

At the moment, the faculty is an example of academic heroism under very real daily fire. The student body, composed of about 5,500 students, yearn to go in under that fire to learn. About 14,000 students apply for 800 positions. It is not just a college and a university with graduate schools. It is a place of reason in a region of terror and horror, and if there is anyplace in the Arab Middle East that we are needed, it is there.

This generation and the next generation are the only hope. We are engaged in a race between education and disaster. We think it continues to merit the support of this committee and the U.S. Government.

We were shocked to learn, as you did yesterday, that the administration has cut the aid for this year in half to accommodate other programs. I suggest now is the time to continue what has been working for America and for the Middle East rather than to start up new enterprises that may be very valuable and desirable on their merits. Now is the time to continue investments that are yielding high returns not just for the besieged country of Lebanon but for the entire Middle East because the university has radiated its work and influence throughout the Arab Middle East in Bahrain, in Qatar, in the United Arab Emirates, in Kuwait, promoting all kinds of health, public sanitation, public health services. It is the source of extension courses and the benign influence in the entire area.

An old colleague of yours, John Murray, and our AUB faculty are even now preparing a conflict resolution center in Cyprus. We cannot do it right now in Beirut, though there is plenty of conflict to resolve there. We can do it in Cyprus, and that gives you another dimension of the university and its benign influence throughout the Middle East.

So, sir—to get to the very specific questions—we have been getting support. We are deeply grateful for this support. I think it is fair to say that AUB is the preeminent educational institution in the Arab Middle East, and we are going to keep it so.

We are talking here about survival money. We are not talking about new start money. We are talking about survival. I think it is fair to say that we must—if we are to continue—have nearly as much total aid this year and next as we have had before.

We have had, as you know, three faculty members taken as hostages. To cut our current aid in half from ASHA—what kind of message would that send to the those three men and their families who went forward to proclaim America in this difficult area and have now been there for over 3 years as hostages?

I say we must in this situation not be half-handed but evenhanded and supportive of this institution. We ask for $10 million. We hope that you will fund ASHA at not less than $45 million. That would enable us to receive a grant of $6.5 million as we have in the past. We will have to dig up another $3.5 million somewhere to operate in a healthy condition.

It may seem like a tough time for you to invest further in a country like Lebanon, but students are going to classes. Victims of the struggle are being healed in the hospital. AUB remains an island of tolerance in a war-torn community.

PREPARED STATEMENT

It is the university that the people of Lebanon, the young people of Lebanon, look to as their base from which to rebuild the unity of that country. Throughout the Middle East it is a kind of sentinel, a kind of lookout, a kind of lighthouse made in America for the Arab Middle East.

Thank you.

[The statement follows:]

STATEMENT OF NAJEEB E. HALABY

Mr. Chairman, members of the committee, I am grateful for this opportunity to appear before you to emphasize the special importance of your continued support of the American University of Beirut. Although the conflict in Lebanon has re-escalated in the past three months, AUB -- now in its 123rd year of operation -- remains dedicated to providing a high-quality American style education in the Middle East. The United States Government has for many_ years recognized the university as a valuable intellectual and cultural bridge between the peoples of the Near East and the West. I would like to thank you for this past support, which has been crucial to the university's ability to fulfill its charter in the midst of regional crisis.

Maintenance of High Standards

Despite the conflict which surrounds it, the university continues to maintain high standards in the quality of educational and health services which it provides. This year AUB enjoyed an historical high in student enrollment, having received some 12,000 applications to fill 800 student places. This increased competition for entrance to the university has greatly contributed to the preservation of the university's high academic standards.

To be honest, preserving the high quality of the AUB faculty has been more difficult than maintaining that of the student body. Although the university has initiated innovative recruitment programs and teaching arrangements, the problem of keeping well qualified professors is basically a financial one. To assure that AUB will have an American-trained faculty, the university has instituted a program to fund advanced education in the United States for outstanding new graduates who agree to return to AUB to teach. In addition, AUB has established a series of block courses that are taught by expatriate Lebanese faculty members who return to Beirut for a few weeks at a time by taking leave from their current university posts in the United States. However, these faculty recruitment programs and teaching arrangements cannot fully compensate for the economic hardships the university is experiencing as a result of the conflict around it. I shall return to this subject in a moment.

AUB's Regional Character and Role

Throughout its history, the American University of Beirut has been recognized as the Middle East's preeminent regional educational institution. To this day, the university maintains this reputation. Many of Lebanon's neighboring countries call on AUB to assist in developmental projects with their national universities and ministries of health, education, planning, and agriculture. AUB is also cooperating with AID and the World Bank in similar projects.

Through AUB's Office of Research, External Programs, and Planning, the university directs regional consulting teams made up from our faculty members, all of whom are very much aware of the pragmatic needs of the world beyond academe. I would like to mention some of the projects in which AUB has participated:

- Working on an AID project in Yemen, AUB will help design that nation's first through third grade school curriculum.

* In Bahrain, AUB assisted in implementing new degree programs in engineering and business management at two universities, and in conjunction with government ministries, we developed programs in the practice of family medicine and teacher training.

* AUB studied the administrative structure of Qatar University and helped the Qatar Ministry of Health to implement a series of specialized medical practice programs for Hamad Hospital.

* The university contributed to the establishment and management of the College of Health Sciences and Nursing in the United Arab Emirates.

* In Saudi Arabia, AUB worked on a range of programs for the Ministry of Agriculture and Water Resources and provided technical assistance to a number of Saudi agricultural development and medical service companies. The university has also cooperated with the U.S. Department of Agriculture on projects in Saudi Arabia.

* Of course, AUB is very active in Lebanon. Our activities include developing a health planning and information system for the Ministry of Health; conducting applied research sponsored by the Lebanese National Council for Scientific Research, UNICEF, the International Research Board, the Ford Foundation, and the Population Council; and introducing programs in rural and primary health care and health education in conjunction with Save the Children Federation.

Involvement in these projects makes very apparent AUB's strong regional influence and highlights the respect which the university has earned from the countries of the Middle East. Concrete evidence of AUB's importance to the region was recently demonstrated by two separate $1 million gifts from Saudi Arabia and Kuwait.

Currently, AUB is exploring the possibility of establishing an academic center on Cyprus, where "extension programs" in three fields of study would be offered: health sciences, English language, and conflict resolution. The university believes these three areas are especially important to the development of the region, and undertaking these programs in Cyprus will make them more accessible to the Middle East as a whole. Furthermore, a Cyprus center would facilitate the return of American and other Western academics and professionals to the learning, teaching, and research processes of the university. The international grouping of students and professors would contribute to scholarly research and information exchange across national borders, furthering understanding in a region in ferment.

AUB's Importance

As you can gather, the American University of Beirut maintains a high commitment to the Middle East as well as its dedication to the American principles of education, the defining ideals of which are tolerance for diversity and respect for judgement based upon rational analysis. AUB is more than just one more university; it is the main American intellectual presence in the region. Students avidly seek the quality education which it provides, while the nations of the Arab World look to it not only for expertise and advice, but also as a model of what higher education should be.

This regional respect for and influence of AUB is an invaluable asset to the United States. The ideas and values for which AUB stands are the bed-rock principles upon which our society is founded. To counter anti-Americanism in the Middle East it is essential to preserve the intellectual base which sustains the American way of thinking. AUB is virtually the only institution dedicated to American intellectual principles which is broadly respected and accepted throughout the Arab World. United States support of AUB is symbolic of the good in America in a region where the U.S. is often viewed as an uncertain friend and model.

U.S. Government Assistance

For the past six years, the United States Government has given AUB, on average, $11.5 million in support through various programs in AID. The central source from which the university has received government funds has been the American Schools and Hospitals Abroad program. This support has helped close the university's deficits.

The collapse of the Lebanese economy has made it impossible for AUB to operate without a significant deficit, in spite of increases in tuition of some 250% in the past year. The university's biggest problem continues to be how to retain a quality faculty when it is able to pay professors only about one-third of what they can make at universities in the United States. The university also continues to experience great pressure on its budget from hospital operations. The Government of Lebanon still is unable to reimburse it for care of the wounded and indigent, though treatment of these individuals is both a humanitarian and a practical necessity. Additionally, the budget is severely strained by the "dollarization" of the Lebanese economy. Though AUB's operational revenue is earned in Lebanese pounds, the costs of almost all commodities and equipment, even if purchased locally, are pegged to the U.S. dollar. Hard currency income is therefore essential to AUB's viability.

Although your committee is hearing testimony today on the FY 1990 Foreign Aid Bill, we feel compelled first of all to ask your assistance in securing adequate funding for the university in FY 1989. We have just learned that AID has recommended that AUB receive an allocation of only $3.5 million from the ASHA program, which is $3 million less than was directed by the committee in its report last year.

For FY 1990, we ask your support for $10 million. We hope you will fund ASHA at not less than $45 million, which should enable AUB to receive a grant of at least $6.5 million from this program. However, the non-ASHA funding sources from which AUB drew in the past have been exhausted, and we wish to ask the committee to provide an additional $3.5 million to fill this gap. Since AID did not follow the committee's directive from last year, we request that these funds for AUB be earmarked.

We know you must ask yourselves if $10 million in assistance for a university operating in Lebanon today is a good investment. The force of this question is made even greater by the fact that for the past several weeks AUB has suspended some of its classes as a precaution to safeguard lives in the face of the intensive shelling which has regularly occurred throughout the city. We believe the investment _is_ still a sound one, for these reasons:

1) In the first place, AUB is still very much in operation even though not all of its classes have been meeting. The hospital, which financially represents 50% of the university, is in full operation. During the past three months of intensive

shelling alone, the AUB hospital had treated nearly half of all Beirut's wounded. Moreover, it had treated 75% of all the casualties in West Beirut, the sector of the city where the AUB Medical Center is located. In addition, the Medical School remained in full operation throughout this period, and a full complement of medical students was graduated this June. Finally, AUB continues its activities outside Lebanon, as detailed earlier. Therefore, in spite of the suspension of some classes, the university has been in large part operational.

2) To the extent that AUB is not now operational, it would be a grave mistake for the United States Government to send a signal that it assumes operations will not soon resume. But that in fact is the signal a withdrawal or paring down of financial support would send. It would imply not only that the U.S. has abandoned AUB, its principal intellectual presence in the Arab Middle East, but also that it has given up on Lebanon at a time when Arab League diplomacy is attempting to find a way to control the conflict and initiate significant internal political reform.

3) AUB's trustees, faculty, and administration are committed to returning the university to full operation at an early date. Plans are under way to make up lost time from the spring semester this summer. Since the university's fall semester does not convene until October, make-up classes can be held in August and September. Conditions permitting, classes will reconvene the first half of August.

In reviewing AUB's influence in and respect from the region, it is evident that the interests of the United States are served in maintaining a highly respected American intellectual presence in the Middle East. AUB's long-running and welcome operation in Beirut was the essential contributor to that city's cosmopolitan and pluralistic character before the beginning of the Lebanese civil war in 1975, making it during that time the most open city in the Arab Middle East. AUB remains an island of tolerance in a war-torn community, and it is to the university that the people of Lebanon look as the institutional base from which to rebuild the unity of their country.

Despite the conflict in Lebanon, there remains more freedom in Beirut today than in most areas of the region. Problems of political instability are pervasive in the Middle East, though they may be less apparent in one nation than they are in the next. While it is at first tempting to think a sensible solution might be to shift resources from Lebanon and AUB to a relatively less unstable country in the region, the fact remains that this course would still entail risk, as present political undercurrents may surface elsewhere any day. A much better solution is to preserve the commitment to AUB, which is already active in many other countries in the region. AUB's regional reputation and intellectual leadership deserve to be given serious weight in the foreign aid mark-up process. They are factors working parallel to the interests of the United States and are contributing to the efforts to bring about a more stable Middle East.

Maintenance of U.S. support for AUB is key to this country's commitment to the region, generally, and to Lebanon, specifically. And although it may be difficult and frustrating, it is nonetheless imperative to continue such support. Peace and stability will be best brought to the Middle East through firmness of purpose in this nation's commitment to its deepest values. AUB is the unmistakable symbol of those high ideals for the people of the Middle East.

Senator **Harkin**. Mr. Halaby, thank you very much.

I remember a friend of mine, a fraternity schoolmate of mine, that taught at the American University for several years. This was quite a while ago, but I am amazed at how many people I have run into as I go different places who either taught at the American University of Beirut or who attended classes there from all walks of life, from a lot of different nationalities that have come there from different countries and have sent students there to study.

You say it is operating all right today even with all of the problems going on in Beirut?

Mr. **Halaby**. The hospital is operating full tilt, helping about 75 percent of those injured by the various sides who are firing away at each other. The medical school is in full operation. The rest of the university has interrupted its undergraduate and graduate operation—briefly we believe, until about August—because of the danger to the students.

Students have been coming across the so-called green line from East Beirut to West Beirut. That is how much they yearn to learn at an American-type university.

Senator **Harkin**. I do not know what the position of the other members of the subcommittee is, but because of my long recognition of the value of the American University of Beirut I am shocked they wanted to cut down the funding for it at this time by how much, $6 million to $3.5 million?

Well, this is one person who will vote to keep it at the funding level which we have had in the past. I do not know what the disposition of the rest of the members of the subcommittee is, but I have always felt strongly about the American University of Beirut, that we ought to continue our support for it.

Mr. **Halaby**. As you know, there is until July 19, a period of review by the Congress of those proposed AID allocations. We hope, sir, that you would, in whatever appropriate way, intervene to restore the imbalance between the recipients.

Senator **Harkin**. I will see what I can do.

Thank you all very much for appearing. I appreciate it.

STATEMENTS OF:

THOMAS A. DINE, EXECUTIVE DIRECTOR, AMERICAN ISRAEL PUBLIC AFFAIRS COMMITTEE

DR. DEAN LOMIS, CHAIRMAN, AMERICAN HELLENIC INSTITUTE PUBLIC AFFAIRS COMMITTEE

ANDREW MANATOS, PRESIDENT, MANATOS & MANATOS

ELMER PENDLETON, FORMER CHIEF OF JOINT MILITARY MISSION FOR AID TO TURKEY

Senator **Harkin**. The next panel is Thomas Dine, executive director, American Israel Public Affairs Committee; Dr. Dean Lomis, chairman, American Hellenic Institute Public Affairs Committee; Andrew Manatos, president of Manatos & Manatos; and Elmer Pendleton, former chief of Joint Military Mission for Aid to Turkey.

If I could ask you to please take your seats. Again, I apologize for asking you to keep your statements short, but in the interest of time I have to do so. We will get the light system going again and welcome you all to the subcommittee. We will start off just as I read it. We will start with Thomas Dine, executive director of the American Israel Public Affairs Committee.

STATEMENT OF THOMAS A. DINE

Mr. DINE. Mr. Chairman, thank you for the opportunity to appear before this distinguished subcommittee. On my right is Esther Kurz, AIPAC's legislative director.

Before beginning my testimony I want to express my deepest appreciation to you and members of the subcommittee for your understanding and consistent backing of close U.S.-Israel relations and Israel's security and well being.

AIPAC supports the fiscal year 1990 foreign aid program of the United States, especially the requested levels of assistance for the two Camp David countries, Israel and Egypt. I urge this subcommittee to appropriate favorably $3 billion in economic and military aid to Israel for the following reasons.

First is the record of Israel's accomplishments in 41 years of modern statehood: Representative government; a high technology economy; and an egalitarian society made up of people from over 80 different language groups from around the world. American aid is a critical part of this internationally acknowledged success story. Indeed, our assistance to Israel has turned out to be one of the most cost effective investments that the U.S. Government makes to further our position abroad and to demonstrate our global leadership.

Second, launching a peace process is a crucial goal, and the United States and Israel are partners in this precious pursuit. The search is difficult and elusive. Obstacles appear everywhere that one looks; but it is critical that the U.S. Government keeps its policy eye on the peace ball, not on passing events. Our job is to find openings and opportunities, not creating new obstacles by awkwardly using public diplomacy that in turn produces a growing lack of confidence in Washington as the honest broker.

Israel's top leadership recognizes that the maintenance of the status quo between Israel and Palestinians, and Israel and surrounding governments is not in Israel's national interest. A political solution among the parties to the Arab-Israeli conflict must be found.

Free democratic elections in the West Bank and Gaza to determine Palestinian representation to begin negotiating directly with Israel's Government is widely considered the best, most practical proposal.

Other alternatives such as an international conference are seen as impractical and unfair. We cannot lose sight of the prize, launching a peace process. What is necessary at this time is confidence among the parties and confidence building measures to move the peace process forward. There is no better confidence building measure than U.S. aid to Israel.

Third, the United States and Israel are strategic partners in the Eastern Mediterranean, the Middle East, and elsewhere. It is in this area that the Washington-Jerusalem relationship is deepening on a steady basis, both countries having augmented each other's military postures through such cooperation.

Fourth, the United States is working close with Israel on its economic recovery program. Israel is striving today to go beyond stabilization and is addressing the underlying structural changes required for sustained economic growth. For 3 consecutive years Israel has held the line on inflation. Single-digit inflation in 1989 is a possibility.

Fifth, one reform effort is cutting the defense budget by nearly 20 percent over a 2-year period, but in doing so Israel's military forces, weaponry, and supplies are decreasing. Israel's margin of safety at the same time is narrowing, owing to Soviet, European, Chinese, South American, and U.S. arms sales to Israel's neighbors. Syria, Iraq, Jordan, Libya, and Saudi Arabia continue their military buildups.

Israel, working with the United States, is trying to deal with the plethora of new weapon systems in the region. American FMS aid to Israel has become more important than ever.

On this note, Senator Harkin, I would like to point out developments that have taken place in the Middle East in the last few years that threaten Israel's security. At the top of the list is the issue of chemical weapons. Iraq's successful use of chemical weapons in its war with Iraq; Iraq's use of chemical weapons against its own Kurdish population; Syria's development of chemical warheads for its surface-to-surface missiles; Libya's construction of a large chemical weapons facility—these all raise serious questions about what the spread of chemical weapons might mean to the security interests of Israel as well as those of the United States.

While the Bush administration has undertaken a number of useful steps regarding chemical weapons arms control, more must be done on an urgent basis, for with every passing day civilians in Israel and elsewhere are increasingly threatened by terrorists or by belligerent states.

Accordingly, congressional initiatives designed to prevent the spread and possible use of chemical weapons are critical. Chemical weapons must not come to be viewed in the Arab world and the Third World in general as the weapons of the future.

PREPARED STATEMENT

I come before you this afternoon, Mr. Chairman, in these troubled times in the Middle East, to urge this subcommittee to fully fund aid to Israel. The U.S. foreign assistance program helps to maintain Israel's qualitative military edge, keeps Israel on the road toward economic recovery and growth, and underpins Israel's physical and psychological security as that democratic ally of ours searches for direct negotiations and a secure peace with its neighbors.

Thank you.

[The statement follows:]

STATEMENT OF THOMAS A. DINE

Thank you, Mr. Chairman for the opportunity to testify before this distinguished Subcommittee on behalf of aid to Israel. Appearing with me is Ms. Ester Kurz, AIPAC's Legislative Director. The American Israel Public Affairs Committee (AIPAC) appreciates the opportunity to express its views on the proposed Foreign Assistance Act for FY 1990 and the importance to the United States of relations with Israel.

AIPAC is a domestic organization of American citizens who value a strong partnership between our country and Israel. On our Executive Committee sit the presidents of the 46 major American Jewish organizations representing more than four and one-half million active members throughout the United States.

The Administration's FY 1990 foreign assistance request reflects vital needs for U.S. foreign policy. It addresses current circumstances in key global spots and it tries to redress some of the cuts in the 150 budget function over recent years. Foreign assistance is only a tiny fraction of the overall federal budget. Cuts in foreign aid will not meaningfully contribute to the attainment of the Gramm-Rudman-Hollings deficit target. Cuts in foreign assistance will, however, cripple America's foreign policy goals.

Economic and military aid serves our national interest--both at home and abroad. We urge you to support full funding of the Administration's foreign assistance request. We urge you to preserve the Congressional prerogative to earmark. We urge you to vote for $3.0 billion in economic and military aid to Israel.

The situation in the Middle East in general and in Israel in particular has remained troubled since I last testified on behalf of foreign aid a year ago. Therefore, it is especially important not to lose sight of basic facts. The United States has a particular moral and strategic interest in Israel, the one democracy and our only reliable ally in the Middle East. It is the only country in the region with meaningful free elections, a robust free press, checks and balances to prevent and correct abuses of authority, extensive protections for the rights of individuals and minorities, basic equality for women, and other safeguards and rights that are typical of a free society. On that score, the affinity between the United States and Israel was demonstrated last November when both countries went to the polls to elect new governments and an orderly transfer of power took place in Washington and Jerusalem. Voter turnout by the citizens of Israel, Jew and Arab, ranged in the area of 80 percent, among the highest rates in the democratic world.

Israel stands in sharp contrast to other countries of the region, which include feudal monarchies like Saudi Arabia, where power is permanently concentrated in the hands of a few wealthy princes and where average citizens are under constant surveillance by the religious police and internal security forces; dictatorships like Iraq, where the government has evicted as many as 500,000 Iraqi Kurds from their homes in a raze-and-destroy campaign and used poison gas against its own citizens; or radical fundamentalist regimes like Iran, which terrorizes its minorities, suppresses its middle class, and, until last summer, routinely shipped off its youth to be slaughtered in war. The combination of extremism and fundamental Islam which Israel confronts each day in the region is best exemplified by the death sentence issued by Iran's leaders against author Salman Rushdie--a threat which received widespread support throughout the Muslim world--because the novelist's views as expressed in fiction were deemed blasphemous.

In public opinion poll after poll for 41 years, when the American people have been asked what is known as the standard question about the Middle East, namely, "in the Middle East situation, are your sympathies more with Israel or more with the Arab nations?," they have resoundingly reaffirmed their sympathy for the Jewish state and their conviction that Israel is a democratic ally whose security and well-being are vitally important to the United States. A *Washington Post*/ABC News poll released in April indicated that American support for Israel has reached an all-time high. Israel continues to enjoy a more than four-to-one advantage over the Arab states in the hearts of Americans. Clearly, Americans do not agree with all policies of the Government of Israel any more than they do with all the policies of our own government. But, a great majority of Americans support Israel's survival and defense and very few would want to tamper with the security assistance which is Israel's vital lifeline.

Indeed, the absolute amount of our aid to Israel is substantial. But it is comparatively one of the most cost-effective investments that the United States makes in support of its common interests. U.S. expenditures in support of our European allies in NATO, for example, are more than 40 times the size of our aid to Israel. And we get a good return on our money to Israel.

Mr. Chairman, since I last testified, the deep, broadbased partnership between the United States and Israel continued to flourish. The relationship between the United States and Israel is steadfast and strong.

Partners for Peace

First and foremost, Mr. Chairman, the United States and Israel are partners for peace. In March we celebrated ten years of peace between Israel and Egypt, a peace mid-wifed by the United States. Indeed, the viability of that historic achievement was vividly demonstrated by Israel's recent relinquishment to Egypt of Taba, a flyspeck of territory in the Sinai, in accordance with the decision arrived at by an arbitration panel, a mechanism provided for in the U.S.-brokered treaty. Israel proved once again that it lives up to its commitments.

We are hopeful that the close consultation between the United States and Israel in the search for peace that was the hallmark of the outgoing Reagan Administration will continue to serve as the model for the Bush Administration. Prime Minister Shamir's visit to Washington proved a milestone. He offered an important substantive proposal for advancing the peace process--elections to be held in the West Bank and Gaza which would empower legitimate Palestinians to negotiate with Israel first over interim arrangements in the territories, followed by negotiations for a permanent agreement. Despite a challenge from within Prime Minister Shamir's own party last week, the plan was endorsed by the Likud Central Committee, as it had earlier been by the Cabinet and Knesset. In his letter of two weeks ago, President Bush praised the Israeli Premier for his political courage in pursuing the plan. Still, the election proposal has taken some hard knocks recently, as a result of the Likud Central Committee session; talk of withdrawal from the National Unity Government by the Labor Party; its rejection by the PLO; and threats from the United States about reintroducing the international conference. Still, as one Administration official put it, "Elections are the quintessential political act....Noone, including the United States government, is going to produce a better deal." And, as Secretary of State Baker stressed in a special briefing from Warsaw yesterday, "We think we should continue to pursue the Israeli government's elections proposal. We have felt for some time that it had a great deal of promise."

Moreover, the two governments are agreed on the need for easing tensions between Israelis and Palestinians and for direct negotiations between Israel, the Palestinian Arabs in the West Bank and Gaza, and the Arab states on the basis of U.N. Security Council Resolutions 242 and 338. Both governments are in fundamental accord on the absolute necessity for a long-term transitional period to precede any final status solution. Moreover, Israeli Premier Shamir, Foreign Minister Arens and Finance Minister Shimon Peres, leader of the Labor Party, agree with the U.S. assessment that Jordan continues to have a key role to play in determining the future of the territories despite King Hussein's July 31, 1988, decision to disengage from the West Bank.

The ongoing violent demonstrations in the West Bank and Gaza lend added urgency to the search for peace. For 19 months, the uprising leadership has consistently advocated in its frequent manifestos to the local population--as in Calls Number 35, 39 and 41 for example--throwing rocks, hurling molotov cocktails, wielding knives, and arson against the "Zionist enemy." As a democratic state in a belligerent environment with enemies on three of its four borders and a hostile population under its control, faced with the threat of terrorism, Israel has groped for the most humane methods to control mob violence. The intifadah, or uprising, has been expensive for Israel. And, Israel's handling of the intifadah has been the focus of extraordinary media coverage sparking extensive criticism. To be sure, there are flaws in Israel's intifadah management. Israelis have been the first to point them out. But, as Israel's political and military leaders have repeatedly pointed out, the bottom line is that the problem requires a political solution. As Prime Minister Shamir declared in the Rose Garden at the White House, "Our two governments are agreed that the status quo is not desirable and not satisfactory. None of us wants to see it continued."

To advance the peace process requires confidence-building measures on all sides. This was the logic behind the series of tangible measures to improve the quality of life for the inhabitants of the West Bank and Gaza on which the U.S. and Israeli governments cooperated closely since 1983. These measures, which had originally been coupled with King Hussein's ambitious West Bank development plan, were directed toward nurturing a stable Palestinian leadership in the territories with a stake in coexistence with Israel and Jordan. Such projects could become an integral part of future transitional arrangements in the territories in the peace process. AIPAC strongly supports increased U.S. funding for such measures and calls upon our European allies and Japan to contribute substantially as well.

In the final analysis, however, as President Bush eloquently implored during the Premier's visit, "no political process can succeed in a political vacuum....The Palestinians, the Arab states and other interested parties must demonstrate that they too are willing to make peace a reality." Israel's neighbors--the Palestinians in the territories and the surrounding Arab states--must, as Egypt did years ago, demonstrate their commitment to live in peace with the Jewish state.

It is in this context that one must evaluate the initiation of a "substantive dialogue" between the United States and the PLO on the basis of certain rhetorical formulations by PLO Chairman Yasir Arafat in December 1988. The key question, however, is one of substance not semantics. The PLO needs to take tangible steps towards peace, in recognition of Israel and the renunciation of terrorism, to be considered a constructive party to any discussions. Among the concrete measures for the PLO to take would be: abandoning "armed struggle" in all its forms--including an end to disturbances in the West Bank and Gaza; disbanding the terror network under Arafat's control; amending the PLO Covenant, which calls for the "elimination of Zionism in Palestine," by convening the Palestine National Council for that purpose and voting--rhetorical flourishes in Paris notwithstanding; ceasing demands for a Palestinian state before peace talks; abandoning the "strategy of phases," which seeks the elimination of Israel and the overthrow of the Hashemite Kingdom of Jordan stage by stage; and, ending the onslaught of anti-Israel resolutions at the United Nations. This is the time for Arab states, like Jordan, Saudi Arabia and Iraq, to publicly call for peace with Israel and put an end to the Arab economic boycott of Israel.

But the dialogue has taken an alarming turn. While allowing Congress and the American people to believe it was pursuing low-level meetings with the PLO, the Bush Administration authorized secret meetings between Ambassador Robert Pelletreau and Yasir Arafat's number two, Salah Khalaf, also known by his nom de guerre, Abu Iyad. Abu Iyad, who was indicted last week by an Italian court for supplying PLO arms to the Red Brigades, played a central role in assembling the Fatah terror network and executing its operations. Not only is this a man who has condemned the United States for its "aggression against Libya" (Sanaa Voice of Palestine, 1/6/89), he ran Black September, an arm of Fatah, responsible for the death of many Americans, including the assassination of Cleo Noel, U.S. Ambassador to the Sudan, and George C. Moore, Deputy Chief of Mission in Sudan, in March 1973; the machine gunning to death of a young American girl, Laura Haack, in Greece in August 1973; the murder of David Berger of Cleveland, one of 11 Olympic athletes killed in the Munich massacre in September 1972, and others. Abu Iyad later boasted how he deceived the West that Black September was separate from the PLO.

Throughout the 1970s, he coordinated Fatah terrorist activity with George Habash's PFLP, the IRA, the Baader-Meinhof gang, the Japanese Red Army, the Liberation Front of Iran, and the Turkish People's Liberation Army.

He remains committed to terror, declaring, "We in Fatah and the PLO never relinquished the fedayeen operations" (Al-Thawrah, 4/22/89) and "the PLO has not pledged to stop operations against the Zionist entity" (INA, 3/10/89). Moreover, he clearly seeks the elimination of Israel, announcing after Arafat's Geneva statement: The armed struggle will escalate and grow...at first a small state and, with Allah's will, it will be made large and expand to the east, west, north and south. I am interested in the liberation of Palestine step by step" (Al-Anba, 12/18/88).

Meeting with the man who embodies everything the United States and all decent people stand against leaves serious doubts about the state of American counterterrorist policy, to say nothing about the wisdom of those who approved of this step and its effect on the peace initiative.

The PLO, for its part, has continued to engage in theatrics on the world scene. The ludicrous attempt at gaining membership in the World Health Organization last May putting at risk the very mission of that agency is an example of this. The strong stance of the Administration and Congress that the United States will not countenance such efforts sent a clear message to our allies and our adversaries to stop tampering with these international bodies. We commend Congress, and especially the Chairman and Ranking Member of this Subcommittee, for their leadership on this issue. As a result of its efforts, coupled with the forceful Administration position, the chances for defeating or delaying this ill-conceived initiative look far better today than they did just one week ago.

The PLO has persisted in a host of other confidence-eroding measures. Within weeks of "renouncing terrorism" in Geneva to satisfy U.S. conditions, Arafat threatened Bethlehem Mayor Elias Freij with "ten bullets in the chest" for proposing a truce in the territories. The PLO and the uprising leadership have continued to call for physically intimidating or assassinating those believed to cooperate with Israel. Since the intifadah began, at least 70 residents of the West Bank and Gaza have been murdered by their fellow Palestinians.

Moreover, Arafat-aligned factions of the PLO have participated in ten abortive terrorist attacks against Israel since Arafat's Geneva proclamation. Not a single member of the PLO--not Arafat, not his deputies--said a public word denouncing any of these incidents. In fact, Faruq Qaddumi, known as the PLO's "foreign minister," declared, "The PLO is not prepared to condemn operations which any Palestinian organization or faction undertakes." Last week, instead of condemning the Palestinian from Gaza who steered a bus off a cliff, killing 14 people and wounding dozens more, Arafat's spokesman, Bassam Abu Sharif, stated, "This is not terrorism....Whoever defends his rights and resists occupation is not a terrorist." At the outset, President Reagan warned that if the PLO failed to live up to its word, the United States "would certainly break off communications." The PLO must match its deeds to its words for the U.S.-PLO dialogue to continue.

As for the Arab states, in October 1988, all the Arab states, save Egypt, voted to expel Israel from the United Nations, including Jordan and Morocco. In November, Saudi Arabia and Qatar joined forces with Syria to oust Israel from the International Telecommunications Union. And, the Arab boycott of Israel, led by Saudi Arabia and Kuwait, continues unabated.

To advance the process requires a commitment to avoid the pitfalls of evenhandedness, ascribing a strategic and moral equivalence between our ally, Israel, and the PLO, which had until recently been our sworn enemy. It also means avoiding public confrontations as well as surprises. The Administration has taken a series of steps which have contributed to a perceived erosion in the trustworthiness of the United States, including the Pelletreau-Khalaf meetings. Still, we hope the Bush Administration, with the backing of Congress, and the Government of Israel will continue to work together to vigorously pursue peace.

Strategic Partners

But to achieve peace and maintain it requires strength, particularly in the Middle East where the forces of radicalism must be deterred. In this area, too, the United States and Israel are strategic allies. Both countries have strengthened and enhanced each other's military posture.

Israel's status as a Major Non-NATO Ally of the United States was made permanent last year with the removal of a requirement for annual review. This is a significant step forward in the strategic relationship. It will continue to enable the two nations to expand the scope of strategic cooperation. This is not an area of special benefits, grants or loans. Rather, it is a logical extension of the alliance which has blossomed since November 1983 when the United States and Israel enunciated the policy of expanding cooperation, particularly joint military planning and exercises, to meet threats to mutual interests in the Middle East and the eastern Mediterranean.

On April 21, 1988, the United States and Israel signed an historic Memorandum of Agreement (MOA) institutionalizing the strategic cooperation agreements of the past five years. The MOA serves as a fundamental building block in our strategic partnership with Israel, which has to date been broad and wide ranging. In the words of former Defense Secretary Frank Carlucci during his visit to Israel this past November, military relations between the United States and Israel "could not be better." This was reiterated by another Pentagon official who said "together we have achieved more in the last eight years to evolve (the) spirit of cooperation than at any other period in the history of our relationship."

Israel has participated in joint naval exercises with the Sixth Fleet designed to strengthen U.S. antisubmarine warfare capabilities in the eastern part of the Mediterranean Sea. It continues to provide access to its ports for regular ship visits by the Sixth Fleet. Indeed, when the President ordered a naval task force to the Persian Gulf in 1987, elements of that fleet, led by the carrier USS John F. Kennedy, called on the port at Haifa. This spring, Sixth Fleet carriers were being serviced there. As recently as last week, 3,000 American sailors spent shore leave visiting Israel. U.S. naval operations in the Gulf have been greatly assisted by use of the Israeli-made "Pioneer" remotely-piloted vehicle deployed on the battleship U.S.S. Iowa. This pilotless drone has proved instrumental in conducting reconnaissance and surveillance, and has been described as a "tremendous success" by the Navy.

Israel makes facilities available for the storage and maintenance of U.S. materiel for American use in a conflict. It provides Kfir aircraft at no charge to the U.S. Marine's Aggressor Squadron to help train American fighter pilots. It has provided access to bombing ranges in the Negev desert for training exercises for U.S. Navy fighter pilots. It has engaged in military training exchanges with the U.S. Marines. It has staged joint military exercises with American special anti-terrorist-forces. These cooperative military efforts have proved mutually beneficial and will be continued and expanded as the overall strategic relationship continues to grow.

Israel has entered into formal arrangements to provide access to its sophisticated hospital facilities for U.S. military casualties in a conflict. These facilities have already been used to treat U.S. personnel injured in the bombing of the U.S. Embassy Annex in east Beirut in 1983 and on several other occasions.

Israel has shared with the United States the lessons of its combat experience in Lebanon, where Israel successfully used American equipment against Soviet weapons. It has undertaken joint research and development projects with the Pentagon to build on the technological expertise acquired from decades of conflict. In December 1987, Secretary of Defense Frank Carlucci and Defense Minister Rabin signed a Memorandum of Understanding enhancing Israel's ability to participate in joint defense R & D efforts with the U.S. The Army, Navy, Air Force and Marines continue to express great interest in testing and procurement of Israeli defense systems. Indeed, Israeli technology accounted for over half of the funds in FY88 for evaluation of items from Major Non-NATO Allies.

Israel is also one of only a few countries--including Great Britain, West Germany, and Japan--to sign a Memorandum of Understanding (MOU) on mutual threat and the benefits of cooperation and shared technology in the Strategic Defense Initiative and continues to participate in this effort. Specifically, Israeli technology will be key to the successful development and deployment of an Anti Tactical Ballistic Missile (ATBM) system. A $158-million agreement on co-development of the Arrow interceptor missile was finalized one year ago, in July 1988, and this joint U.S.-Israeli project is proceeding ahead of schedule. ATBM has become an increasingly vital priority for the United States in the wake of the signing of the INF treaty and the worldwide spread of chemical weapons and ballistic missiles.

The American military has continued to expand its purchases of sophisticated Israeli defense technology. Among the estimated $300 million in contracts in 1988 were major agreements on new mortars and communications systems for the U.S. Army. The U.S. Air Force is very interested in acquiring several Israeli missile systems, while the Navy wishes to test Israel's air-launched decoy system.

Diplomatic and Trade Partners

Israel's role as an ally of the United States, however, goes well beyond the confines of military cooperation in the Middle East.

At the United Nations, Israel voted with the United States on 91 percent of the General Assembly resolutions introduced in the 43rd session, the highest rate of cooperation of any country in the world, higher even than Great Britain or Canada. This contrasts with 27 percent for Turkey, and nearly 33 percent for Greece--America's NATO allies in the eastern Mediterranean. It also contrasts with 8.6 percent for Egypt, 8.3 percent for Saudi Arabia, and 11.8 percent for Jordan--and the Soviet Union's 8 percent record.

In the information war, Israel agreed several years ago to an American request to proceed with plans to install a Voice of America transmitter in the Negev desert to enhance American broadcasts to Soviet Central Asia, Afghanistan, and Eastern Europe, at the risk of worsening the plight of Soviet Jews. By contrast, two of America's NATO allies, Greece and Turkey, refused to host the VOA transmitter because of their unwillingness to endanger their relations with Moscow. Reportedly, Oman also turned down an American request. I urge Congress to support funding for this important project.

Moreover, at a time when American exports face protectionist trade barriers around the world--when even our closest allies refuse to eliminate unfair trade practices, and indeed are erecting new barriers to American products--the historic U.S.-Israel Free Trade Agreement continues its phased implementation. A major step was taken on January 1st of this year, when Israel eliminated a host of tariffs in order to put American goods on equal footing with those from Europe. The success of this unprecedented agreement paved the way for a similar agreement between the U.S. and Canada.

At the end of the day, American exporters want to know if the Free Trade Area has led to a growth in trade. Since its signing in 1985, U.S. exports to Israel have increased by 34 percent. This means more sales, and profits, for American business. In fact, Israel is second only to Canada in terms of per capita imports of U.S. products.

And so, Mr. Chairman, in the peace process, in strategic cooperation, in the diplomatic arena, and on the trade front, Israel is today one of our foremost partners in the world, working with the United States toward regional and global security.

Partners in Strengthening Israel's Economy

Israel and the United States have also cooperated in other bold initiatives over the past several years. Working together, they have successfully undertaken to rescue Israel's economy from the severe distress it was suffering just a short while ago.

Over the past three years, Israel has demonstrated how U.S. foreign assistance, in combination with strong and well-conceived corrective measures in the economy, can turn economic distress into an opportunity for recovery. Israel's recovery program has included some of the toughest austerity measures ever imposed by a democracy. The Congress, the people and the President of the United States were partners in this process, because a critical ingredient has been U.S. economic assistance. U.S. aid was the decisive safety net required to undertake such a bold initiative. Earlier this year, the *Wall Street Journal* called Israel's stabilization program a "mini-miracle."

Today, Israel is striving to go beyond stabilization, to address the underlying structural changes required for sustained economic growth. 1988 was a landmark year in these efforts. Israel held the line on inflation for the third consecutive year. Israel's new Finance Minister, Shimon Peres, waited only a few days after his appointment to launch an initiative to further trim inflation from its current 16 percent annual level. Israel's foreign currency reserves remain strong, at $3.4 billion.

In 1985, Israel's annual budget deficit was 15 percent of Gross National Product (GNP). Today, Israel's budget deficit is just three percent of GNP. Israel has held the line on government spending, a feat we can well appreciate here in Washington.

At the same time, the government continues to slash subsidies of public transportation and basic food products such as milk, bread and eggs. Such cuts are painful, and cause upward inflationary pressure in the short term. Moreover, the health and education budgets will constrict this year once again. Still, within Israel's National Unity Government there is broad consensus on the need for such measures.

The Finance Ministry has also found it necessary to authorize limited and calculated devaluations of the shekel. This is part of an effort to maintain the competitiveness of Israeli industry in the international market place.

The Israeli government has imposed new user fees on education and health care, and Finance Minister Peres is advancing a plan to reduce the number of workers employed by the government by 10 percent over a three year period. Capital market reform continues to progress.

Israel continues to move down the long road of privatizing government-owned companies. Last year, the Israeli government asked a major U.S. financial institution, the First Boston Corporation, to develop a strategy to achieve this goal. The Israeli government is already executing the prescribed approach. It has already sold off the Paz Oil Company, as it will soon do with the Israel Chemicals, Ltd. It is also looking for a buyer for Bezek, the national telephone company.

All of these measures are bold steps for Finance Minister Peres, as they all entail some disruption in the economy. Israel has long embraced the concept of full employment. Yet today unemployment is over 8 percent. By addressing the economy's underlying problems--rather than taking more expedient, short-term steps--Israel has demonstrated its willingness to weather short term discomfort in exchange for long term gain.

In March, the International Monetary Fund issued an authoritative report confirming Israel's success in stabilizing its economy:

> We are impressed with your success in restraining military spending and in reducing subsidies....We are particularly impressed with the most recent national wage agreement which called for no increase in basic wages at all this year....The central problem is to get investment moving again....The focus of discussion has accordingly shifted from economic stabilization to growth....The pressure to do better yet should be unrelenting.

The United States has a vital interest in Israel's economic well-being for several reasons. First, the economic health of our major allies and fellow democracies is inherently a vital interest for the United States, because in a very profound sense, the free nations stand or fall together. Second, the economy of Israel is the bedrock of the nation's ability to sustain its own defense, and for this reason Israel's economic health is essential to the stability of the region. And third, it is a vital interest of the United States to ensure that Israel continue on the path of economic growth and self reliance. This is something we can do, and for our own interest, must do.

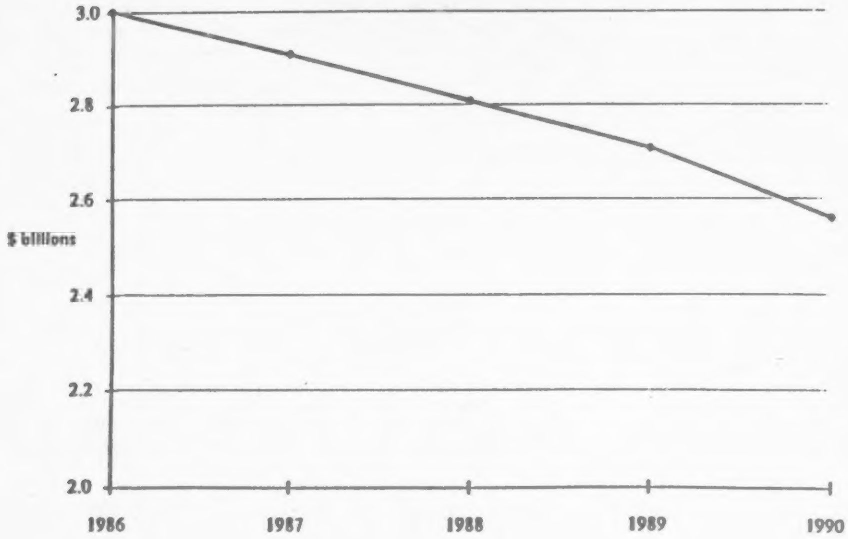
The challenge for the United States, and for this Committee, as we look to the year ahead, is to continue a program that is working, and to take the steps that are necessary to reinforce and indeed accelerate the recovery to which the United States has already contributed so much. The foreign assistance program before you is truly an investment in Israel's future.

Although the level of aid to Israel has remained steady for four years, the real value of that aid has declined. There has been a steady erosion in the value of Economic Support Funds and Foreign Military Sales credits to all aid recipients. Based upon information provided by the Congressional Budget Office, Office of Management and Budget and the Department of Defense, our aid package to Israel has eroded in value by some 15 percent since 1986, as illustrated in Chart I.

CHART I

Foreign Assistance to Israel: Erosion in Value

Constant 1986 Dollars



While Israel's FMS debt burden has been somewhat reduced due to the highly successful refinancing program, overall U.S. Government-related debt remains high. In spite of the Cranston Amendment requirement that economic aid to Israel be greater than Israel's debt service to the U.S., in FY90, Israel's debt obligations to the American government will total $1.37 billion. In fact, Israel's debt due on U.S. government loans and guarantees will exceed the $1.2 billion mark well into the next decade.

For these reasons, it is ever more urgent to explore ways to stretch the FMS dollar. One proposal currently being advanced is the Comprehensive Fair Pricing initiative. By eliminating certain surcharges which are imposed on each FMS transaction, Comprehensive Fair Pricing will significantly increase the buying power of scarce military assistance funds. Comprehensive Fair Pricing would apply to all FMS recipients, for all FMS transfers. We strongly urge you to support this proposal.

Maintaining Israel's Vital Qualitative Edge

Beyond the challenge of economic recovery, the program before you is essential for a second reason. This is the fact that our assistance to Israel over the coming year will have a critical impact on the security of the Jewish state.

In past years, I have related to this Committee a bleak description of the erosion in Israel's margin of security. This has resulted to a great degree from the very financial and budgetary austerity measures that were necessary to rescue Israel's economy. Regrettably, that assessment, while improving, still captures the essence of the situation. Indeed, the effects of recent years' defense budget cuts will continue to be felt well into the 1990s.

The austerity measures cut Israel's defense spending by about 20 percent in a two year period--one of the largest reductions ever imposed by a democracy in so brief a timespan. Since 1986, Israel's annual defense expenditures have remained stable in absolute terms, and therefore have actually decreased in real terms. While Israeli military planners have attempted to make the cuts without eroding Israel's narrow margin of safety, reductions of this magnitude have, inevitably, added to the element of risk in many areas.

In recent years, active combat units were disbanded, reduced in size or converted into reserve formations. Large numbers of vital aircraft have been mothballed, effectively grounding 15 percent of Israel's combat force. This has decreased the number and size of army brigades and air force squadrons available to meet a surprise attack, weakening the basis on which Israel's security has rested since the conclusion of the 1973 Yom Kippur War.

At least one of Israel's mechanized/armored divisions has been dissolved, resulting in the withdrawal of several hundred tanks from the IDF battle order. This means a serious decline in Israel's visible deterrent capability as well as a decline in its war-fighting ability.

The impact of past reductions in training time is still being felt, and has been made worse by the demands of dealing with the intifadah. The expenditure of ammunition in training is still being curtailed. There have been serious cuts in the number of flying hours allowed aircraft pilots, resulting in 20 percent of pilots being dropped in order to continue training for the remainder. Israeli pilots now are able to fly fewer training hours than their American or Jordanian counterparts. In terms of actual funds, it is estimated that it costs the Israeli Defense Forces $970 per hour to operate a Merkava tank engine, $2,687 per hour to operate a missile boat and $13,708 per hour to fly an F-15 fighter.

Reserve readiness has been cut. For several years the number of reserve days served by Israeli soldiers was decreased, although it was increased recently to cope with the demands of service in the West Bank and Gaza Strip. However, because of the amount of time both regular and reserve troops are now spending in riot control duties on the West Bank, they have less time to train for their primary mission of conventional defense. Israel had been forced to increase its forces in the administered territories by four or five times the level present two years ago. As a result, reserve units will continue to be less prepared for conventional warfare than they were in the past.

Thousands of active duty military personnel have been released from the IDF. This has meant the loss of a great many highly-skilled individuals who will be sorely missed by the Israeli armed forces.

Morale has been lowered. Pay cuts and personnel releases have produced an exodus of highly trained and motivated professionals and have lowered morale generally. Riot control service in the West Bank and Gaza has placed an added strain on the troops. These factors threaten to undermine a key aspect of Israel's military superiority--its large qualitative advantage in personnel.

Ammunition and equipment stockpiles have suffered deep cuts, in order to lessen the impact of reductions in other areas. This has reduced Israel's ability to sustain its forces in combat. In order to reduce expenses, the armed forces have continued to draw down their stockpiles without full replacement. General Menachem Einan, chief of the IDF Logistics Branch recently pointed out the urgency of this situation, stating that the Israeli Army must "close the gap created in the last three to four years between current and operational levels" of stores.

Many programs, such as continued acquisition of new Merkava III tanks, helicopters and naval vessels, were delayed and are only now being implemented.

Expenditures on research and development have been significantly curtailed. This has diminished Israel's ability to develop and produce the unique new weapons and countermeasures needed to counter increasingly sophisticated weapons entering Arab arsenals. This further diminishes Israel's qualitative advantage over its opponents. In 1988, as in previous years, Israeli defense industries were forced to reduce their staffs and plant facilities and thus are less able to support Israel's military needs.

These cuts in Israel's defense budget have made American FMS aid to Israel all the more important. In particular, this money has helped upgrade Israel's Air Force--whose margin of superiority over its adversaries remains the cornerstone of Israel's security doctrine--particularly, through the acquisition of 60 additional F-16 fighters to fill the gap created by the cancellation of the Lavi. We specifically wish to thank this Subcommittee and the Congress for earmarking increased funds for procurement of defense items in Israel. Permitting "offshore procurement" of this type helps ease the crisis faced by Israel's defense industry.

Another key program that will be funded through the FMS account is the upgrading of Israel's Navy, which must confront the colossal growth of hostile Arab navies like that of Syria, which has doubled its fleet of combat vessels since 1982. After years of delay due to budget constraints, Israel has finally been able to fund the building of new submarines and missile corvettes.

The termination of the Lavi in 1987, which was to have been the centerpiece of Israeli industrial potential, was a hard blow for the country, and its effects are still being felt two years later. It was initially thought that cancellation of the program would free substantial funds for other urgently needed defense projects. However, the Israeli military has only been able to reallocate a small portion of this money. The remainder of these funds has been used in areas directly associated with the Lavi's discontinuation.

Overall, Israel faces long-term reductions in the size of its military forces. What is lost in quantity must be made up in the qualitative enhancements provided through the development and use of advanced technologies.

The Arab Military Buildup

Despite reductions in oil revenues in recent years, Israel's enemies continue to purchase more and newer weapons to add to their already bulging arsenals. (See Charts II and III.) They have placed orders for billions of dollars worth of new weapons each year, and have tens of billions of dollars more still in the pipeline from past years. Since 1973, the leading Arab nations still at war with Israel have spent roughly $400 billion on their armed forces. U.S. arms sales in the region have begun to increase again after several years of decline, growing from $7 billion in FY87 to $12 billion in FY88. Arab nations at war with Israel are continuing to spend approximately $30 billion annually on their military forces. According to the last set of figures released by the United States Arms Control and Disarmament Agency, four of the eight largest arms importing nations in the world are Arab nations at war with Israel: Iraq, Saudi Arabia, Libya and Syria. And, it may be significant that despite its economic problems, Egypt was the next largest importer.

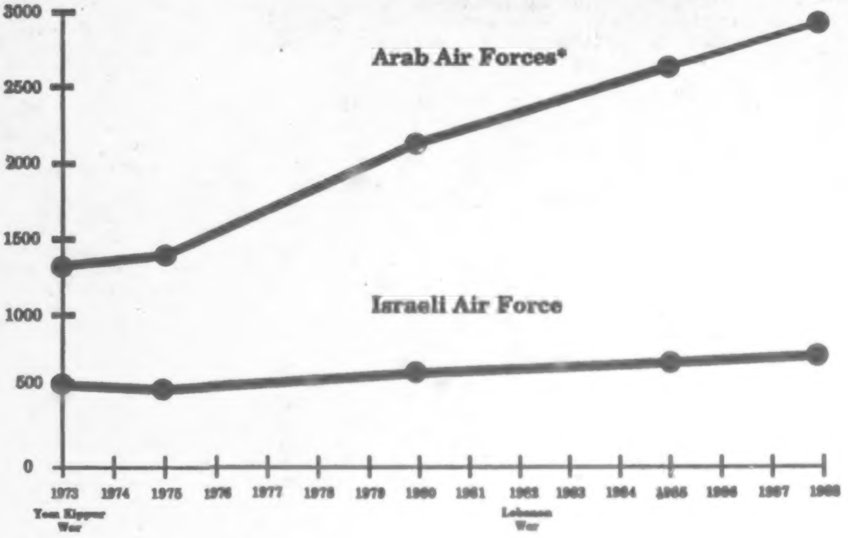
Syria has expanded and improved its armed forces since its defeats in the 1982 fighting. All branches of Syria's military have grown as a result. There is a growing disparity in standing armed forces--approximately 400,000 for Syria as compared with 150,000 for Israel. This could serve to increase Syria's incentive for a surprise attack. Syria's president, Hafiz Assad, has made very clear that his goal of "strategic parity" with Israel is a synonym for war preparations. Indeed, according to one estimate, the Syrians devote half their national budget to the armed forces, spending $1 billion more than Israel each year. As part of that buildup Syria has increased by 50 percent the number of divisions in its army. These troops have been reequipped with the latest model tanks, artillery, and other equipment available to the Syrians. The Syrians studied carefully the fighting in Lebanon in 1982 and have incorporated lessons from that campaign into their doctrine and training.

Syria's navy has also been a major beneficiary of this buildup, seeing its number of combat vessels double in the years since the Lebanon war as well as the addition of previously unavailable capabilities. These new capabilities are the result of Syria's acquisition of modern Soviet Kilo-class submarines, and a new coastal defense missile, the Sepal, with a range of about 180 miles.

Syrian air defense and air forces have also benefitted in this expansion. The losses of 1982 have been replaced, and more advanced types of anti-aircraft missiles and aircraft have entered service. New anti-aircraft systems have included the SA-5, SA-11, SA-13, and SA-14 missiles. Syrian pilots have been trained in the Soviet Union on one of its most advanced fighters, the MiG-29, the first squadron of which has been delivered, with the transfer of a second squadron expected in the near future. Of even greater concern are reports that Damascus will purchase Su-24 fighter-bombers. These potent aircraft in Syrian hands will seriously increase the military threat to Israel.

CHART II

The Widening Gap
Combat Aircraft: Arab States vs Israel
1973 - 1988

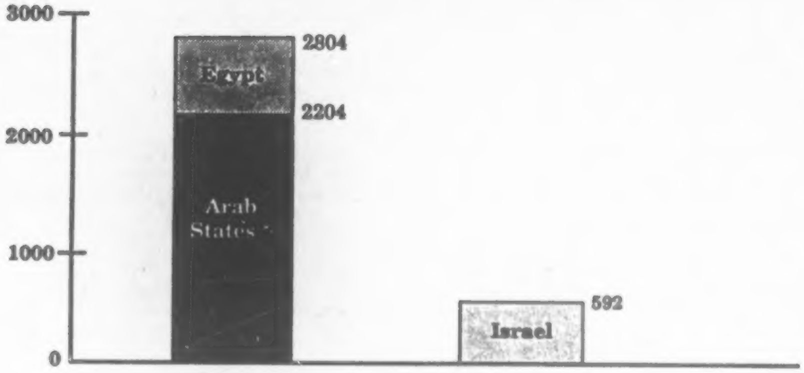


* Egypt, Jordan, Iraq, Kuwait, Libya, Saudi Arabia, Syria

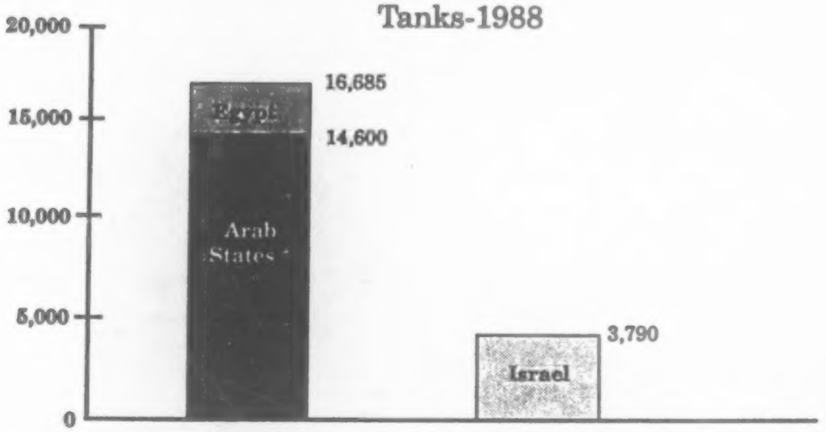
CHART III

Arab States outnumber Israel in Combat Aircraft and Tanks by over Four to One

Combat Aircraft-1988



Tanks-1988



* Svria. Saudi Arabia, Jordan, Libya, Iraq, Kuwait

The Syrians have also acquired Soviet-built SS-21 tactical ballistic missiles, another piece of first-line equipment for Soviet forces facing NATO. These missiles are much more accurate and dangerous than the earlier Soviet-built Frog and Scud tactical missiles in the Syrian armory. The accuracy of these new missiles increase Syria's 'first-strike' attack abilities against key Israeli installations including air bases and mobilization points. This comes at the same time as a major effort by Syria to build up its chemical warfare capabilities. Two factories are currently producing a variety of nerve gas agents which can be deployed as warheads on Syria's ballistic missiles.

Jordan, too, has continued its military buildup. The Jordanians have placed orders to increase inventories of tanks, artillery, helicopters, anti-aircraft systems, vehicles, air-to-air missiles, and other munitions. According to the United States Arms Control and Disarmament Agency, Jordan, a country with a gross national product of $4 billion (1984) took delivery of nearly $4 billion in arms in the four-year period between 1981 and 1985.

A key part of Jordan's military buildup plan appears to focus around increasing its air defense capability through the acquisition of advanced fighter aircraft and mobilization of its batteries of Improved Hawk anti-aircraft missiles. If Jordan succeeds in its search for this capability, then it will be in a position to directly threaten Israel's margin of air superiority. Jordan recently announced that it is purchasing both the Mirage 2000 and Tornado fighter aircraft, both of which will add significantly to the Kingdom's ability to challenge Israel in the air.

Moreover, Jordan has one of the Arab world's most modern and qualitatively superior ground forces. The highly-trained Jordanian Army has purchased offensively-oriented equipment such as mine field breaching devices and assault bridging equipment.

Libya, despite its massive arsenal of Soviet-supplied weaponry, has until recently had only limited capability to directly attack Israel. The Qadaffi regime has now obtained the capacity for aerial refuelling of its attack aircraft from West Germany, giving them the means to reach Israel. This is particularly alarming in light of the recent revelations concerning the Libyan chemical weapons plant, also developed with Western assistance. And, the Soviet supply of six Su-24 long-range strategic bombers further enhances the Libyan threat.

Since 1980, Iraq, which has sent forces to fight Israel in three wars, has more than tripled the size of its armed forces. Indeed, since the beginning of this decade, Iraq has become the world's leading arms importer, taking delivery of weapons worth an average of over $3 billion every year. With the end of the Gulf War, it can be expected that the enormous arsenal accumulated in Iraq will be at least in part available for use against Israel, as it has been in the past. Moreover, the Iraqi armed forces are battle-hardened; they are better organized, better trained and more fully mechanized and modernized as a result of their seven-year war with Iran.

Iraq has extended the range of its surface-to-surface Scud missiles. This enhancement enables Iraqi missiles, possibly armed with chemical warheads, to reach Israel from launch points in western Iraq.

More ominous still are reliable reports that Iraq is engaged in a crash program to build nuclear warheads for use with a strategic missile.

Despite steep reductions in oil revenues, Saudi Arabia continues to order weapons on a grand scale. It leads the Arab states in military expenditures, this year spending over $17 billion on its military, a sum equal to 75 percent of Israel's entire GNP. In each of the years 1981-1985, it was the world's second largest importer of arms. Current Saudi military expenditures per regular soldier are almost twice American expenditures (approximately $262,000 to $136,000). And, as Saudi Defense Minister Prince Sultan has made clear on several occasions, the focus of this military buildup is Israel, not Iran or the Soviet Union. Therefore, not only does it seek to acquire military capabilities far beyond its own legitimate defense needs, it continues to fund Syrian, Jordanian and Iraqi arms purchases and PLO terrorist activities against Israel. As is by now well known, Saudi Arabia has also recently acquired intermediate-range ballistic missiles capable of carrying a variety of warheads up to 1500 miles. These Chinese systems represent an entirely new class of missile in the region and their deployment is without justification.

As part of this huge ongoing military buildup, Saudi Arabia has been seeking steadily to increase the size and combat capabilities of its air force. An important aspect of this particular effort has been the Saudi attempt to enhance the fighting qualities of the combat aircraft it has acquired from the United States. In this it has been partially successful, to the detriment of Israel's security. The sale of further American aircraft enhancements or replacements to Saudi Arabia cannot but lessen the opportunity for Israel to expend its resources on projects more productive for its society than on countering an ever-extending range of Arab military power.

Last year, Saudi Arabia and Great Britain announced what has been widely described as the "arms deal of the century," worth over $50 billion according to many sources. The centerpiece of this sale is the purchase of yet more advanced Tornado fighter-bombers, capable of attacking deep inside Israel.

Mr. Chairman, the Arabs purchase these arms from dozens of different nations around the globe. Our country has been a major supplier to these nations, selling billions of dollars of military goods and services to avowed enemies of Israel. American sales of new weapons systems to hostile Arab nations have had a particularly profound impact on the military balance between Israel and those states because American technology is often superior to that of competing weapons. These sales have significantly raised the cost to Israel of maintaining its own defenses, exacerbating the strain on Israel's economy, and, barring any changes in American policy, will continue to do so in the future.

The chemical weapons threat to Israel continues to grow. Both Syria and Iraq have developed their abilities to the point where they are manufacturing their own deadly chemical weapons, and in the case of Iraq, have used them on numerous occasions in its war against Iran. In March 1988, Iraq used its chemical arsenal against in the Kurdish town of Halabja, killing an estimated 5,000 Iraqi citizens and seriously wounding an equal number. Iraq again attacked the Kurds with chemical weapons in August on an even wider scale.

The realization of what was earlier an approaching threat has forced Israel to take precautionary steps to protect its population and soldiers from similar attacks, again at further cost to itself. Israel has had to initiate a massive civil defense program to protect its citizens, as well as invest in protective measures to keep airbases and other military facilities operational in a chemical environment.

Overall, what we have is a pattern of accelerated Arab buildup while Israel substantially cuts its forces. The dramatic contrast in forces is demonstrated in Chart III. The effort to maintain the qualitative edge adds to the burden on the Israeli economy, further worsening the quantitative gap in the Arab states' favor.

Mr. Chairman, we are all proud of Israel's achievements, but realistically it is impossible to have this combination of trends without a diminution of security. Israel's margin of safety is, inevitably, reduced by the austerity measures it has been forced to take in past years.

Today, I come before you to ask that you take the very serious security risks facing Israel into account when you consider the level of aid to Israel for FY 1990. What this Subcommittee does will have a direct impact on Israel's security, in a situation where there is little room for error. Moreover, any reduction in aid will send the wrong signal to Israel's enemies.

Let me sum up, Mr. Chairman, the conclusions of my testimony. Our aid to Israel has been a wise investment, because Israel is our one democratic friend and most reliable ally in a critical region of the world. But this year aid to Israel is particularly important for three reasons.

The first is to prevent any further erosion in Israel's narrow margin of security in a situation where its forces have been cut while those of its adversaries are rapidly growing. Moreover, in this era of concern over allied burden-sharing, it is important to remember that while we devote roughly $170 billion to the defense of NATO, whose members spend an average of only five percent of the GDP on defense, Israel spends almost 25 percent of its GDP on defense (see Chart IV).

The second reason aid is particularly important again this year is to stay the course on the economic recovery and growth program on which Israel has embarked. This is no time to reduce our effort.

Last, but not least, Mr. Chairman, aid is an important tool to advance the peace process. Israel must feel confident of American support and commitment as it takes risks for peace.

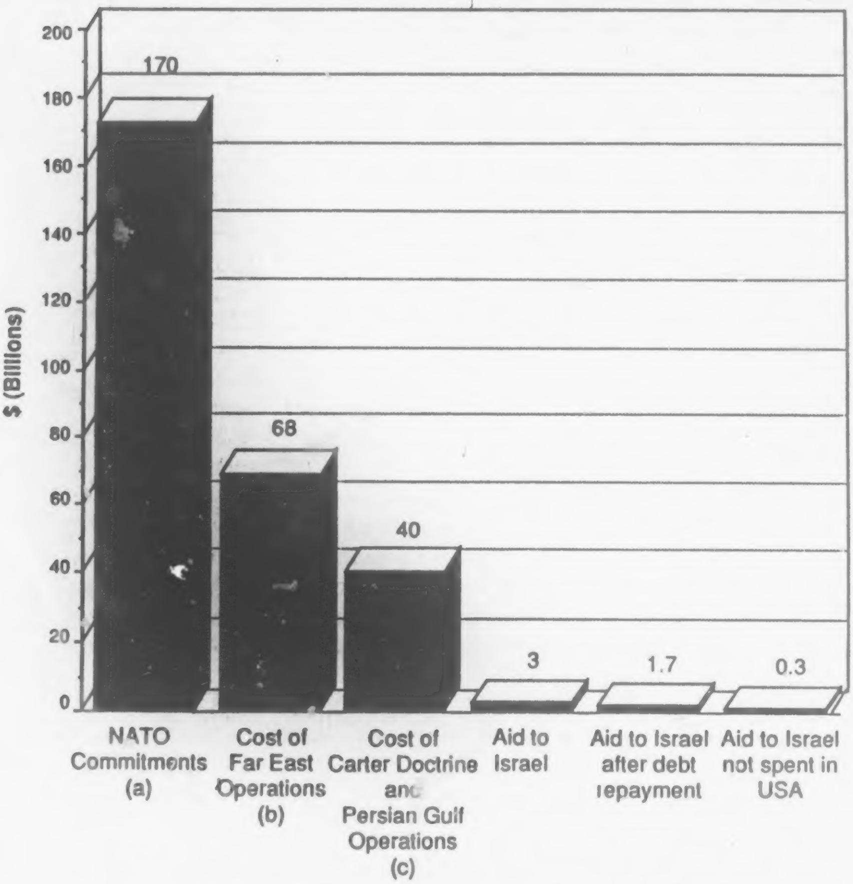
Israel is aware, however, of America's budget constraints and thus has not increased its aid request over the past four years. Indeed, in 1986, the Government of Israel, acting as a responsible partner in the foreign aid process, returned $51.6 million in ESF funds to the U.S. Treasury despite the economic pressures it was facing.

Mr. Chairman, I thank you for the strong friendship you, this Subcommittee, and the Senate, have demonstrated toward Israel, and for this opportunity to explain the importance of FY 1990 aid to Israel and to America.

CHART IV

Aid to Israel Compared to Major International Costs

(Figures based on FY 1987 expenditures)



(a) Direct and indirect costs of NATO defense commitment calculated on the basis of 56% of defense budget (this percentage based on figures in "Reduction in U.S. Costs to Station Forces in FRG and UK Are Unlikely," General Accounting Office, July 31, 1984).

(b) Direct and indirect costs of Far East commitments based on number of troops stationed in Asia (114,000) compared to number of troops stationed in NATO countries (290,000).

(c) John Lehman, "Carter Doctrine Is No Longer Adequate in Gulf," The Wall Street Journal, August 5, 1987, page 22.

Senator HARKIN. Mr. Dine, thank you very much for your statement.

STATEMENT OF DR. DEAN LOMIS

Dr. Dean Lomis, chairman, American Hellenic Institute of Public Affairs. Welcome to the committee.

Dr. LOMIS. Thank you, Mr. Chairman. I appreciate the opportunity to appear before you today on behalf of the American Hellenic Institute Public Affairs Committee and the order of AHIPAC.

We oppose as contrary to the national security and foreign policy interest of the United States in the Eastern Mediterranean the administration recommendation of $550 million in military aid or economic aid to Turkey. We support $350 million for Greece on a one-to-one ratio of aid to Greece and Turkey in recognition of the reality that a military balance must be maintained between these two allies.

We also support $50 million in humanitarian aid to Cyprus as long as the Turkish occupation presence remains there.

We call on you and the entire Senate to cosponsor S. 22, the bill introduced by Senator Pressler, to condition all military aid to Turkey and economic aid to Turkey until Turkey removes its forces from the Republic of Cyprus.

As we approach July 20, which is the 15th anniversary of the Turkish invasion of Cyprus, we urge this subcommittee and the Congress as a whole to move on to bring to an end the illegal occupation and colonization of the Republic of Cyprus.

You must remember, Mr. Chairman, there are five Americans who were taken prisoner in Turkey in 1974 whom the Turkish Government refuses to release and whose whereabouts are known to us.

In addition, throughout these years, all assistance given to Turkey has not gone for the best interest of the United States. If we look at the record which I have in the appendix of my prepared statement, at least since 1973 you will see quite a number of points where American military aid and economic aid to Turkey has been abused.

Within the last 30 days or so the latest of Turkey irregularities appeared. An unusual opportunity of a MIG–29 landing in Turkey was not allowed by the Turks to be inspected by U.S. intelligence services. As a former U.S. Air Force intelligence officer who was doing exactly that kind of work, I am very familiar with the importance of us having a look at that airplane.

In addition, as you are well aware, Mr. Chairman, I am sure the Turks continue to permit the Soviet aircraft carriers to pass through the Dardanelles in opposition to the Convention of 1936. The latest information available is that next year Turkey will allow the KREMLIN, the largest aircraft carrier in the Soviet fleet, to pass through the Dardanelles into the Mediterranean.

With all the recent problems in Bulgaria regarding the Turkish ethnics, we support any assistance that may be given to any refugees coming out of Bulgaria. At the same time, Mr. Chairman, we understand that the U.S. Department of State and the adminstration has stopped trade talks with the Bulgarians because of the problems in Bulgaria. I call on the Senate and this committee to also request that trade talks between the United States and Turkey be considered in the same manner in regard to the atrocious human rights records of the Turks in regard to Cypriots, Greeks, Armenians, Kurds, and its own nationalities.

Today we are in a changing world where we need the cooperation of all countries in order to start in a new era. Unless we, the United States, take the lead and require that countries abide by the Helsinki Accords and human rights, we will have difficulty in our position as the No. 1 Nation of the free world.

PREPARED STATEMENT

Mr. Chairman, I thank you for the opportunity to be with you today to present this testimony, and I will answer any questions you might want to ask.

[The statement follows:]

STATEMENT OF DR. DEAN C. LOMIS

I appreciate the opportunity to appear before you today on behalf of the American Hellenic Institute Public Affairs Committee, Inc. and the Order of AHEPA.

We oppose as contrary to the national security and foreign policy interests of the United States in the eastern Mediterranean the administration recommendation of $550 million in military aid and all economic aid for Turkey.

We support $350 million for Greece and a 1-1 ratio in aid to Greece and Turkey in recognition of the reality that a military balance must be maintained between these two allies. We support continuing the $15 million in humanitarian aid for Cyprus as long as the Turkish occupation presence remains, in lieu of the $7 million proposed by the administration.

As we approach July 20th, the 15th anniversary of Turkeys's invasion of Cyprus, we urge this subcommittee and the Congress as a whole to move to bring to an end the illegal occupation and colonization of the Republic of Cyprus by supporting 22.

Our call for you to co-sponsor S. 22 is in support of the rule of law and U.S. national security interests. Cuts in aid to Turkey are further justified by the serious cuts we face in domestic and military spending and by the dramatic changes in relations between NATO and the Warsaw Pact.

This bill was introduced by Senator Larry Pressler (R-SD) and is co-sponsored by Senator Howell Heflin (D-AL). S. 22 conditions all U.S. military and economic aid to Turkey on the following requirements:

1. all Turkish military forces, in excess of those permitted by the 1960 Treaty of Guarantee, and all illegal Turkish colonists are withdrawn from Cyprus;

2. The city of Famagusta/Varosha has been returned to the Government of Cyprus for the resettlement of refugees;

3. Significant progress in UN negotiations toward a constitutional democracy based on majority rule, the rule of law, and the protection of minority rights;

4. Turkey has released and returned the 5 kidnapped Americans and 1614 missing Greek Cypriots;

5. Turkey withdraws recognition of the so-called "Turkish Republic of North Cyprus"; and

6. Turkey takes steps to reverse the illegal declaration of an independent state in northern Cyprus.

We also seek the renunciation by Turkey of its illegal claims in the Aegean or the submission of its claims to the International Court of Justice at the Hague.

As American citizens, we cannot support cutting bone from the American force structure and throwing it to Turkey. Given that Turkey illegally used U.S. arms to invade Cyprus and today uses U.S. military aid to continue its illegal occupation of Cyprus and uses economic aid to support its colonization of northern Cyprus, and given what is in reality Turkey's limited value to NATO, we urge you to support S. 22.

Congress has acted boldly to close some 90 obsolete military bases in the U.S. Congress should consider similar bold action regarding obsolete bases overseas such as those in Turkey.

AHIPAC and AHEPA strongly urge a long overdue critical review of the United States-Turkey bilateral relationship. What is Turkey's true contribution to the deterrent capabilities of NATO? How much damage has been inflicted on NATO by Turkey' continued illegal occupation of Cyprus and illegal demands in the Aegean? What is the wisdom of our economic and military aid to Turkey in light of Congress's current examination of U.S. foreign aid programs?

Is it sensible and right for us to subsidize Turkey's occupation of Cyprus? According to Former Undersecretary of State William Schneider, in testimony before Congress in 1984, it cost $9,000 per year to maintain one Turkish soldier. There are 35,000 Turkish soldiers on Cyprus. The Turkish occupation of a friend of the U.S., Cyprus, costs U.S. taxpayers well over $350 million per year. And how much does it cost us to support the 60,000 Turkish colonists? Not one nickle, not one dime of U.S. taxpayer money should support such a despicable enterprise.

But the Cyprus issue involves more than how our tax-dollars are being spent. Cyprus is also a question of whether our alliances are strengthened or weakened when states like Turkey invade and occupy independent nations and friends of the United States. As former President Ronald Reagan set forth in his State of the Union Address on January 23, 1983, "responsible members of the world community do not threaten or invade their neighbors, and they restrain their allies"

On July 7, 1988, President George Bush stated that:

> We seek for Cyprus a constitutional democracy based on majority rule, the rule of law, and the protection of minority rights.
>
> Efforts to resolve the long-standing differences between Greece and Turkey on this and other issues will be good for them, good for us, and good for the critical southern flank of NATO.
>
> . . .
>
> America can be the catalyst for peace between Greece and Turkey. I want to see a NATO whose southern flank remains strong and united. I want to see a democratic Cyprus free from all threat of war.

Towards these ends we at AHIPAC and the Order of AHEPA support S. 22. This bill is nothing more, and nothing less, than a call for the support of the rule of law. We are asking you to be faithful to fundamental American principles and to justice, and to carry out the rule of law.

The Turkish military occupation forces, now 35,000 strong, have occupied 37% of Cyprus for 15 years. During the 1974 invasion 5 Americans were abducted by Turkish troops and 1614 Greek Cypriots were taken as prisoners. We know of this Committee's concern but we urge a renewed and strengthened effort to have Turkey account for these persons.

Gentlemen it is clear that the Turkish strategy is to prolong the talks until re-unification is impossible. The Turkish government is wielding time as a sword that continuously cuts the ties between the Cypriot peoples. The Cypriot people deserve the chance to create a constitution which will meet their security concerns, protect their rights, and promote the re-establishment of human relations.

It is obviously absurd to divide an island nation of 650,000 people. If this occurs, Cyprus will be economically crippled; the result will be social and political instability that would threaten western interests. Turkish propaganda has drowned out the voice of those Turkish Cypriots who have protested the occupation and who seek a re-unified Cyprus.

Turkish Cypriot opposition leader Ozker Ozgur has frequently spoken out against the oppression his people have suffered from Turkish soldiers and colonists. As recently as April 14 of this year he accused Turkish Prime Minister Turgut Ozal and Turkish Cypriot leader Rauf Denktash of trying to destroy the Turkish Cypriot community and of trying to turn northern Cyprus into a Turkish province: "We are against the use of peasants and workers from Turkey for the destruction of the identity of the Turkish Cypriots and in rendering the Turkish Cypriots ineffective as a communal entity." Mr. Ozgur has run out of patience, but AHIPAC has been making this point for a decade and a half.

This obscene act of colonization, a violation of the Geneva Convention of 1949, Section III, article 49, and contrary to U.S. interests, is sustained by U.S. tax dollars. The U.S. Foreign Assistance Act of 1961, as amended, and the Foreign Military Sales Act prohibit Turkey from transferring U.S. arms to Cyprus. The matter is simple: the only way to ensure that our tax dollars will not support the occupation and division of Cyprus is to end that occupation. And that occupation can only be ended through direct U.S. effort, by insisting that Turkey do so.

As Turkey's principal supplier of military and economic aid, the U.S. is in a unique position to take the initiative to achieve a just and lasting settlement of the Cyprus problem. The U.S. prods other allies on many issues, but treats Turkey like a sacred cow. We press Japan on trade matters, Germany on missile modernization, Israel on talking to the Palestinians, yet we seem afraid to alienate Turkey.

In 1956 President Eisenhower enforced the rule of law against three important friends, Britain, France, and Israel, and halted the invasion of Egypt. What President Eisenhower said then still applies today: "There can be no peace without law, and there is no law if we adopt one set of standards for those who oppose us and another for those who are on our side."

All over the world, some of the most notorious military occupations are coming to an end. The Soviets have left Afganistan, Cuba is withdrawing from Angola, and Vietnam is leaving Cambodia, yet Turkey, a NATO ally, remains in Cyprus after 15 years.

Cyprus is an important friend of the U.S. Former U.S. Ambassador to Cyprus Richard Boehm has stated publicly that Cyprus' record in combating international drug-trafficking and terrorism is impressive and should serve as a model for all other nations. It should not be forgotten that Cyprus stood by the United States during each of our most painful recent experiences in the Middle East.

Some U.S. officials are pinning all their hopes for a solution on the U.N. sponsored talks. But these people mistakenly refer to Javier De Cuellar as a mediator. The Secretary General is not mediating the Cyprus dispute. He has merely granted the two sides his good offices.

With no mediator, with no arbiter, the problem will remain unresolved until the U.S. uses its considerable influence. We agree with the recent staff report of the Senate Foreign relations Committee that "a more active approach would reinforce, not undercut, the U.N. Secretary General's effort."

Turning now to Turkey. Turkey may be a convenient ally, but she is not a vital ally. We need not tolerate her illegal actions.

Turkey's unreliability with respect to the United States and our allies, its inhumane practices against Armenians, Kurds, Cypriots, their fellow Turks--as documented by Amnesty International's reports on torture in Turkey--and its aggressive actions against its neighbors are indeed indisputable historical facts, matters of record, and should be objects of our concern.

Ankara's refusal to allow the U.S. to inspect the Mig-29 that was flown into Turkey is only the most recent example of the solicitude with which Ankara treats Moscow and its high-handedness towards the United States.

Turkey's violations of treaties and other actions demonstrating its unreliability as an ally and its cooperation with the Soviet Union are set forth in the appendix.

According to Dr. De Vallon Bolles, a strategic analyst, "there are two Turkeys--the one of myth and the one of reality." The Turkey of myth is strategically vital; in reality it is at best convenient to have Turkey on our side. Dr. Bolles also points out that contrary to popular opinion, NATO does not need Turkey to stop the Soviet fleet at the Dardanelles. We can also stop them at a number of critical points in the Aegean and the Mediterranean, using the Sixth Fleet and the priceless naval base at Suda Bay, Crete, and the airbases at Iraklion, Crete, and elsewhere.

Some view Turkey as vital to stopping a Soviet thrust towards the Persian Gulf, or for action in the Middle East. But Turkey has refused to let us operate in the Middle East from Turkish bases. Most of Turkey's army, its best units in fact, is arrayed against a NATO ally, Greece, and in the occupation of Cyprus, and not against the Soviet Union or states hostile to the U.S. The prospect is low that Turkey would abandon its traditional policy of neutrality and engage the Soviet Union during a major crisis on the central front of NATO. Further, Ankara would have to consider that the Turkish army would be tied down by arms Moscow would supply to Kurdish and Shi'ite minorities in southeast Turkey.

Southeast Turkey is one of the world's most unstable regions, where emergency rule is still in force and FBIS reports almost daily violence and terrorism. The rest of Turkey is not much more stable. Between 1960 and 1980 the military seized control of Turkey three times. Each dictatorship was more extensive than the last. Today, with the military having ultimate control and still calling most of the shots under a quasi-civilian government, Turkey's inflation rate of 86%, (as reported by the IMF) provokes thoughts of further unrest.

It should be noted that prominent Turkish officials have threatened to pull Turkey out of NATO if she is not allowed to join the European Community. The proper question to ask is, "in a real crisis will Turkey be helpful?" All previous facts and current indicators are very discouraging.

Is Turkey a sturdy basket in which to place so many military and economic eggs? Have we not learned any lessons from past experience, Iran, Vietnam, Ethiopia, etc.?

In closing, Mr. Chairman and members of the Subcommittee, Turkey's actions which have been harmful to the U.S. and the Western alliance, and her instability, call for a critical review and reassessment of the United States-Turkey bilateral relationship and of Turkey's role in NATO.

Greece remains a steadfast ally. There is in Greece a permanent reservoir of good will and solidarity with the U.S. 90% of all Greeks have a relative in the U.S. (Harry J. Psomiades and Alice Skourby, editors, The Greek American Community in Transition, Pella, 1982.) These are concrete ties that don't exist with any other ally. Disputes and governments come and go, but the NATO alliance, one of the most successful alliances in the history of mankind, endures because of the values, principles and democratic traditions we share. For these reasons and for many others, we respectfully request that you support S. 22.

APPENDIX A

TURKEY'S COOPERATION WITH THE SOVIET UNION AND LACK OF COOPERATION WITH THE UNITED STATES

(1) Turkey is the largest recipient of Soviet aid outside the Warsaw Pact.

(2) Turkey has refused to allow U.S. military aircraft to fly any closer than 200 miles from the Soviet border.

(3) Over NATO objections, Turkey has allowed to date three aircraft carriers, the Kiev, the Novorosiisk, and the Moskva, passage rights through the Dardanelles into the Mediterranean in violation of the Montreux Convention of 1936;

(4) Turkey has further damaged NATO by vetoing NATO's efforts to put military bases in various Greek islands in the Aegean for defensive purposes against the Soviet Navy.

(5) May 20, 1989, Turkey refuses to allow the U.S. to inspect Mig-29 flown into Trabzon air force base.

(6) In July of 1988 it was disclosed that Turkey was selling to Pakistan nuclear plant accessories, such as converters and reprocessed fuel, which could be used to produce a nuclear device, against U.S. wishes. There is concern that Pakistan would share its "Islamic bomb" with Turkey and with terrorist states.

(7) At the opening session of the 1987 U.N. General Assembly, Secretary of State George Shultz asked the Turkish Foreign Minister that Turkey "restrict its airspace, denying overflight rights to Libyan and Iranian aircraft carrying chemical weapons components and sea mines to and from Tehran. Turkey declined the request.

(8) In the Spring of 1986, when the U.S. complained to Turkey about allowing Soviet aircraft to pass through the Dardanelles, the official Turkish response as reported by FBIS on March 24, 1986, was that the U.S. is not a party to the Montreux convention and, therefore, it has no business becoming involved. The text concluded that the U.S. should not attempt to interfere, because: "it will have no luck."

(9) The July 22, 1983 edition of Newsweek reported that the Turkish government had refused repeated American requests for the installation of antennas in Turkey for eleven transmitters used to broadcast the programs of the Voice of America, Radio Liberty, and Radio Free Europe.

(10) In January, 1981, President Carter tried to obtain a commitment from Turkey for the use of Turkish territory for operations in case of conflict in the Middle East. On January 20, 1981, The New York Times reported that Turkey was not in favor of "the United States using Turkey for conflicts not affecting Turkey." In the Spring 1983 issue of Foreign Policy, Harry Shaw stated that Turkey is unlikely to become involved in, or allow U.S. forces to use Turkish territory in a Middle East war that does not threaten her territory directly.

(11) In 1980, Turkey refused to permit the U.S. to use the NATO base at Diyarbakir in eastern Turkey as a transit point for the purpose of conducting a rescue mission into Tehran, Iran, to free the American hostages being held in that city. The distance from Diyarbakir to Teheran is 450 as opposed to the actual route taken, which was over 900 miles.

(12) In 1979 Turkey refused the U.S. request to allow U-2 intelligence flights (for Salt II verification) over Turkish airspace stating it would have to be cleared with Moscow. This position was voiced over a period of months by Turkish officials, the opposition parties and the Chief of Staff, General Evren, now the President of Turkey. (see The Washington Post and The New York Times, April - September 1979).

(13) Also in 1979 Turkey refused to allow the U.S. to send 69 U.S. Marines and six helicopters to Turkey for possible use in evacuating Americans from Iran and protecting the U.S. embassy in Teheran.

(14) In the 1977-78 conflict in Ethiopia, Turkey granted the Soviets military overflight rights to support the pro-Soviet communist insurgency led by Heile Mengitsu Mariam. He eventually established a Marxist dictatorship directly dependant upon the Soviet Union. Antonov-22 aircraft ferried Cuban troops, Soviet weapons and supplies to Ethiopia. The Soviets ferried in 2,000 Cuban troops by the end of the first week in December, 1977. By late December, 17,000 Cuban troops were in Ethiopia. The Cuban troops were immediately moved to the fighting front against Somali and anti-Communist Ethiopian forces. They eventually turned the tide in favor of the communists.

(15) During the 1973 Mid-East War, predating the Turkish invasion of Cyprus by one year, Turkey refused the United States military overflight rights to resupply Israel while granting Moscow military overflight rights to resupply Syria and Egypt and granted the U.S.S.R. overland military convoy rights to resupply Syria;

In 1974 Edward Luttwak, the noted strategic analyst, stated the obvious regarding Turkey's cooperation with the Soviet military:

> No longer presenting a direct threat the the integrity of Turkish national territory, and no longer demanding formal revision of the Straits navigation regime, the Soviet Union has nevertheless successfully exercised armed suasion over Turkey, even while maintaining a fairly benevolent stance, which includes significant aid flows. Faced with a sharp relative increase in Russian strategic and naval power, and eager to normalize relations with their formidable neighbor, the Turks have chosen to conciliate the Russians and have been able to do so at little or no direct cost to themselves. It is only in respect to strategic transit that Turkey is of primary importance to the Soviet Union, and this is the area where the concessions have been made. Examples of such deflection, where the Russians are conciliated at the expense of western rather than specifically Turkish interests, include the overland traffic agreement (unimpeded Russian transit to Iraq and Syria by road), the generous Turkish interpretation of the Montreux Convention, which regulates ship movements in the Straits, and above all, the overflight permissions accorded to Russian civilian and military aircraft across Turkish air space.
>
> The alliance relationship in NATO and with the United States no doubt retains a measure of validity in Turkish eyes, but it is apparent that its supportive effect is not enough to counteract Russian suasion, especially since the coercion is latent and packaged in a benevolent, diplomatic stance. (Luttwak, The Political Uses of Sea Power, Johns Hopkins Press, 1974, pp. 60-61).

STATEMENT OF ANDREW MANATOS

Senator **HARKIN**. Next I would recognize Andrew Manatos, president, Manatos & Manatos.

Mr. **MANATOS**. Mr. Chairman, thank you. I will be testifying today on behalf of the following organizations: The United Hellenic American Congress; the American Hellenic Alliance; the Cypriot Association of America; and the Hellenic American Council of Southern California.

Mr. Chairman, this subcommittee and the Senate can take a great deal of credit for the relationship that the United States enjoys today with the people of Greece, and it can also take a great deal of credit for the fact that the Cyprus issue and the sad plight of that divided country has not been forgotten.

Finally, American security interests in the Eastern Mediterranean are also to a large degree the work of the Congress.

Greece has just finished an election and is preparing to go into another election which is scheduled to occur this fall. The people of Greece are looking very closely at what relationships they should have with which people in the world, and many people believe that this election result will determine a course for the nation of Greece for years to come.

When they look to the United States, they see a mixed picture. As you know, Greece sacrificed greatly in World War II. They were an American ally in World War I as well. One out of nine people in Greece died during World War II. They were with us in Korea, and they have been a good strong part of the southern flank of NATO.

Even though that was the case, there were many people in Greece, who in 1967—when the junta came to power—felt that the U.S. Government had a role to play in that. More Greeks were disappointed, frankly, when the American Government publicly embraced the junta that was there.

As a matter of fact, by coincidence, the interim prime minister who had just been placed in Greece was imprisoned by that junta.

In addition to the disillusionment that some Greeks felt over the existence over the military junta, the invasion of Cyprus alienated and caused even more to question. It is clear the United States knew that American aid was going to be used illegally to invade Cyprus, and we did nothing about it.

Underlying all of these problems, though, is the long-term valuable relationship between the people of Greece and the people of the United States. For example, a survey recently found that when the Greek people were asked who in the world, in all of history, is the most admired political person, the No. 1 person was John F. Kennedy. That says something about the relationship that has been maintained between the two people. As I said earlier, the Congress has a great deal to do with that.

At this point in our relationship with the people of Greece, we must send a strong message that we are a reliable ally and that we will continue to do the kinds of things that a reliable ally should do.

Now, if I might mention for a moment the situation on Cyprus. As you know, we are in the middle of delicate negotiations. We have a new president, George Vassiliou, who all American diplomats will tell you has done an extraordinarily good job in a sincere effort to solve that problem. What we find is that the Turkish troops are now causing serious problems for more than just the Greek Cypriots. As you know, the Greek Cypriots lost a lot because of the Turkish troops. About 4,000 people died; 1,500 were taken prisoner and never returned.

Today, a very interesting thing is happening. Some Turkish Cypriots themselves are going public with statements very critical of the Turkish troops. As one Turkish Cypriot said publicly, during the so-called difficult times between the Greek Cypriots and the Turkish Cypriots, only 6,000 Turkish Cypriots left the country. Since Mr. Datash has been the head of this pseudo-government there, over 30,000 Turkish Cypriots have left the island.

It is a serious problem, and the Turkish Cypriot culture is being eroded. It is a serious human rights problem and a serious problem of justice.

PREPARED STATEMENT

Congress can at this moment, however, in this critical year, play a major role in making something happen. The first step in doing that is to assure that the American policy established last year regarding Greece, Turkey, and Cyprus is maintained. The organizations that I represent here today would strongly urge this committee and the Senate to maintain those positions of last year and to move forward and strike while the iron is hot with respect to solving the Cyprus problem.

Senator **Harkin**. Thank you very much.

[The statement follows:]

STATEMENT OF ANDREW E. MANATOS

Mr. Chairman, the Greek-Americans from across the country whose opinion I am here to express today would like to thank the Appropriations Subcommittee for the role it has played in protecting for America the relationship between the people of the United States and the people of Greece and for the role it has played in reassuring the people of Cyprus that the United States will not forget the sad plight of their divided country. Without the work of this Appropriations Subcommittee, and of the Congress in general, America's security interests in the Eastern Mediterranean would be substantially injured, and our relationship with our great allies and friends would not be nearly as strong.

As you know, the people of Greece are today preparing for a national election which will determine the course that the nation of Greece will take for some years to come. It is the hope of those of us who follow these matters very closely that the people of Greece will see that their interests are in a strong relationship with the United States. Our country has benefited greatly from the fact that Greece, unlike its neighbor Turkey, stood strongly with us in World War I and in World War II where one out of nine Greeks gave their lives. Greece was with us in Korea and has been a very important member of the Southern Flank of NATO.

This has been the case even though previous actions by American government officials have sent signals to the people of Greece which would suggest that their interests did not lie in depending on the United States as a friend and ally. As you know, many people of Greece were concerned that the American government may have played a role in bringing to power a military junta in their country. More Greeks were disappointed that our government publicly embraced that repressive junta. That junta, for example, imprisoned the man who was just recently selected to be interim Prime Minister of Greece, Tzannis Tzannetakis. You also remember the disappointment of the people of Greece when the United States knew full well that Turkey was going to use our foreign aid to invade the Republic of Cyprus, an invasion which killed 4,000 people, and we did nothing.

Yet, through all of this, the people of Greece have tried to maintain their faith in America and Americans. A recent survey of Greek people showed that of all the political figures in the world throughout history, the people of Greece selected John F. Kennedy as the one most admired. It is this faith in the United States that the Congress has wisely built on and has enabled the people of Greece to stay with us through difficult times. It is extremely important that the Congress, again this year, send a clear and strong message to the people of Greece that we appreciate all of the things that they have done for us and for freedom in the past, and that we will do our part to contribute to the maintenance of that valuable relationship. America's strategic interests in the Eastern Mediterranean will be well served if the Congress again shows such wisdom.

Mr. Chairman, I would also like to express some concern about the current situation with regard to Cyprus. As you know, Cyprus President George Vassiliou came to office last year with a pragmatic and reasonable program to do what he could do to solve the Cyprus problem. As all American diplomats will tell you, he has followed through in that effort extremely well. Those talks are at a very delicate stage right now, and it is important that the Congress do all that it can do to correct this terrible human injustice on Cyprus and this tinderbox for America's security interests in the Eastern Mediterranean.

Turkish troops on Cyprus have caused America's relationship with the nations of Greece and Turkey and the relationship of those two countries toward each other to be very strained over the last 15 years. Those Turkish troops and settlers are also injuring more than just the Greek-Cypriot people who have been unable to see their homes, who miss the 4,000 people who were killed and the 1,500 who were taken away to Turkey as prisoners and have never been seen again. In that regard, I should remind the Committee that there is a family in Detroit, Michigan who wonders each day what the Turkish government did with their 17-year-old American son who was bearing an American passport and who was taken away among those prisoners and with six other American citizens 15 years ago and has never been heard from again.

The influx of Turkish troops and Turkish citizens on Cyprus has done great damage to the Turkish-Cypriot citizens as well. During the supposedly difficult times between the Turkish-Cypriot community and the Greek-Cypriot community on Cyprus, only 6,000 Turkish-Cypriots left the country. As was recently pointed out by a Turkish-Cypriot citizen, since the occupation troops have been on Cyprus, and since the Turkish citizens have begun coming to the island, more than 30,000 Turkish-Cypriots have left their native country. That is an increase of five fold over the exodus that took place during the so-called difficult times between the two communities on Cyprus.

The Turkish-Cypriot culture is being eroded, and a great injustice is being done to an ancient people, the Cypriots. Anyone who studies archaeology or human history in the Eastern Mediterranean with an open and scholarly mind will recognize that Cyprus and the Cypriot people have had a unique and distinct culture and that that culture is being threatened by Turkey's occupation armies.

It is very important that this year of all years the Congress do whatever it can to encourage the Turkish-Cypriot leader Rauf Denktash and the leaders of the government of Turkey to be as reasonable in their approach to finding a solution to the Cyprus problem as has been Cypriot President George Vassiliou. If the United States Congress acts this year and forces a solution in the Republic of Cyprus, not only will justice and human rights be served on that troubled island, but America's relations with Turkey and Greece and America's security interests in the Eastern Mediterranean will be greatly improved.

It is extremely important that the Senate maintain its positions of the 10-to-7 ratio of military aid to Turkey and Greece with regard to so-called "surplus equipment" and with regard to the terms of the aid. The Congress must continue to prohibit the transfer of American military aid from Turkey to Cyprus and maintain the $15 million in aid that goes to Cyprus. The presence of our tanks and military equipment occupying the country of the Cypriot people make the $15 million the least we can do. The Congress must maintain all its positions with regard to Greece, Turkey, and Cyprus if we are to have any hope of keeping the tinderbox of the Eastern Mediterranean from exploding.

STATEMENT OF MAJ. GEN. ELMER PENDLETON

Senator **Harkin**. Next, Elmer Pendleton, former Chief of Joint Military Missions for Aid to Turkey.

Mr. **Pendleton**. Sir, I appreciate very much the opportunity to testify today before the committee.

I think basically that I support the aid to Turkey because Turkey needs our help. We neglected Turkey for a long time during the 1970's embargo. They have worked very hard to help themselves. Finally, I believe it is in our best interest.

My written remarks do not contain any adverse comments against Greece because I believe that Greece is an important ally and we should work very close with them.

I would like to make two comments, though, with regard to some previous testimony. One is the use of the MIG-29 situation as an example of being a friend of Turkey. I made sure that the Turkish military were aware of those articles that were in the U.S. papers recently. I do not know what the outcome of that was, but I was happy to see in the last week or so there have been indications that maybe we received more information than was thought at the time.

I would also like to comment with regard to the aircraft carrier and other items in the Dardanelles. The Turks, of course, day in and day out guard that area, which is one of the most important NATO missions that we have.

Finally, one little adverse comment—which I do not like to make—but in my 4 years as a senior U.S. military officer in Turkey, the Greeks practically never participated in any of the joint training exercises, choosing for their own purposes to go their own way. This kind of thing costs hardly any money but does add to allied unity and allied combat readiness.

I believe we should support our President's request because it is in our best interest to have this loyal ally, Turkey, continue to do their job during difficult times. If things look better here from Washington from an international perspective, that can hardly be true from the Turkish perspective, where they are truly in the eye of the storm.

They need modern weapons to maintain their credibility and to maintain their strength as an armed force. The situation in Lebanon has been worse this year than it has been for some time. Iran and Iraq have stopped fighting but are in, and will be in, a tense position for many years ahead. The Soviet Union has considerable internal problems, especially directly across the eastern border from Turkey and Eastern Europe. Where our President is currently visiting is just starting to undergo what may be the most dramatic change of all.

All of this is taking place on or very near the Turkish borders, especially the situation in Bulgaria where thousands of native Turkish Bulgarians have been expelled.

Afghanistan and Pakistan, while not on the border with Turkey, definitely feel the influence of the Turks. Other countries such as Libya have to take note of the Turks and what they stand for both in terms of their defense efforts and their strong stand against terrorism. Turkey continues to be the good guys in a very tough neighborhood.

In all of these areas enumerated above, the stability of Turkey has been a tremendous influence on the area. What would this dynamic part of the world be without a solid democratic Turkey which provides stability in the Eastern Mediterranean along the eastern borders and in the Middle East? I believe we can all agree that it would be a far different world.

My prepared statement goes into burdensharing and so on that I think is extremely important because of the sharing of the burden that Turkey has done. I could give many examples, but one of the ones I like to give is the fact that a Turkish soldier makes about 25 cents a month and the more senior officers only make a few hundred dollars a month.

I have talked of security assistance, but let me leave you with a final thought on the other area that requires congressional assistance. It is important that we once again try to eliminate the 7-10 ratio with Greece, continue the southern region amendment without restrictions and eliminate adverse references to Turkey alone on Cyprus.

PREPARED STATEMENT

As I indicated, I am not here to make adverse comments against Greece. I am here to make positive recommendations for Turkey. I believe that the Senate and the Congress in supporting the President's proposal can ensure that Turkey remains the strong and stable ally that is so essential to us and to the free world in the Eastern Mediterranean.

Thank you very much.

[The statement follows:]

STATEMENT OF ELMER D. PENDLETON

Mr. Chairman, I appreciate the opportunity to testify before this Subcommittee of the United States Senate today. This is the third time that I have appeared in support of Turkey, and I am proud to continue to speak in support of our assistance programs to Turkey. I served as the senior United States Defense Representative in Turkey during the period July 1982 - July 1986 and have maintained an active interest in Turkey since that time. I am pleased that Major General Potts who followed me in Turkey has also seen fit to submit written testimony to your Committee.

During my period in command one of our most important tasks was to rebuild rapport that was damaged and almost destroyed by our embargo during a good portion of the 1970s. This rapport building was no small task and in fact the job still requires considerable effort. A second major mission, and the most tangible one, was to help modernize the Turkish Armed Forces to the fastest extent possible. The Turks had talked of modernization for about 15 years - but because of the embargo, the impact of the extreme internal terrorism, problems related with the military takeover of the government in September 1980, and the availability of resources - little had been done to modernize the Armed Forces. The task was, and remains, a great one.

During the 1980s, the increase in security assistance as well as the United States close cooperation in the defense industrial area has enabled the Turks to start to make considerable progress. THe tank program, the frigate program and the F16 co-production program are all major examples of where substantial progress is being made. I would think that Turkey would be the textbook example of where our security assistence funds have been used as the maximum force multiplier. So on the one hand I am here to present good news that important progress is being made, but on the other hand, the job is far from done. The reason of course is that Turkey's Armed Forces are large. They have an equally large mission and they are on the front line every day. Using U. S. terminology, they might be called permanently deployed forward forces. I am not going to describe detailed requirements or status of their Armed Forces as I have previously provided your Committee with this information but I shall be happy to answer any questions that you may have.

I heartily encourage you and the Congress to recognize this tremendous effort by the Turks and continue Security Assistance at a high enough level to support the continued modernization effort at as rapid a pace as possible. In this era of international goodwill and budget problems, it is very easy to ask why we should continue our efforts at these levels. We can say because they need our help, to reward their excellent efforts in helping themselves and/or to maintain good relations with one of our most important allies. But as important and easy to understand as these reasons may be, they pale by the most important one.

I believe we should support our President's request because it is in our best interest to have this loyal ally continue to do their job during these difficult times. If things look better here in Washington from an international perspective - that can hardly be true from the Turkish perspective where they are in the eye of the storm. They need modern weapons to maintain their credibility and to maintain their strength as an Armed Force.

The situation in Lebanon is worse this year than it has been for sometime, Iran and Iraq have stopped fighting but are in, and will be in, a tense position for many years ahead, the Soviet Union has considerable internal problems especially directly across the eastern border from Turkey and Eastern Europe, where our President is currently visiting, is just starting to undergo what may be the most dramatic change of all. All of this is taking place on or very near the Turkish borders, especially the situation in Bulgaria where thousands of native Turkish-Bulgarians have been expelled.

Afghanistan and Pakistan while not on the border with Turkey definitely feel the influence of the Turks. Other countries, such as Libya, have to take note of the Turks and what they stand for, both in terms of their defense efforts and their strong stand against terrorism. Turkey continues to be the good guys in a very tough neighborhood.

In all of these areas enumerated above, the stability of Turkey has been a tremendous influence on the area. What would this dynamic part of the world be without a solid, democratic Turkey, which provides stability in the eastern Mediterranean, along the eastern borders of eastern Europe and in the Middle East. I believe we can all agree that it would be a far different world and certainly the interests of the United States would not be served nearly as well. We tend to take the role of the Turks for granted and we must not do this. We talk of burden sharing with our allies - but here is truly the best example of an ally carrying more than their share of the burden. One additional point is Turkey in the decade ahead. Sometime around the year 2000, Turkey will be the largest country, population wise, in NATO, except for the United States. This future giant will play an even more important role in the future, and the future in this case is really not that far away. I believe it behooves us to strengthen our partnership now and throughout the period ahead.

In summary, past accomplishments show that our assistance has paid off. We have made a good investment and we can be proud of it. It has been to our benefit as well as to Turkey. Secondly, geography or location is still critical to the world today. Whereas we can say that things are better in the world - the Turkish Armed Forces are on the ground - like our own forward deployed forces - helping to make these good things happen. For soldiers that make 25 cents a month up through officers that make only a few hundred dollars per month, we can and should do our part of burden sharing by helping them to help themselves in the modernization of their armed forces.

I have talked of security assistance but let me leave a final thought on the other areas that require Congressional assistance. It is important that we once again try to eliminate the 7:10 ratio with Greece, continue the Southern Region Amendment without restrictions and eliminate adverse references to Turkey alone on Cyprus.

I am not here to make any adverse comments against Greece since they are also an important ally of the United States. I am here to make positive recommendations that I consider in the very best military interest of both the United States and Turkey.

Thank you.

Senator **Harkin**. Thank you very much, Mr. Pendleton.

Mr. Dine, if I could ask you just generally what would be the effect on the ongoing peace process in Israel if any cuts were made in this aid package? What would be the effect within Israel itself if any attempt were made at cutting back the aid package that we now have?

Mr. **Dine**. As I indicated, Mr. Chairman, in my oral remarks earlier, this is a period of building confidence. Any attempt or any cut in U.S. aid, appropriated aid to Israel, would send a signal to the Government of Israel and the people of Israel that the United States does not have confidence in Israel and Israel's positions and the difficulty of finding the right way to go in terms of getting a peace process started.

So, I think it would undermine Israel's leadership—as some of the public remarks already have done, by the way—and I think it would not be in the best interest of the United States.

Senator **Harkin**. Would it mean that, for example, maybe the more militant minority elements within the political parties of Israel might gain more prominence?

Mr. **Dine**. There is no doubt in my mind. We have already witnessed it last week.

Senator **Harkin**. That is my fear, also.

Mr. **Dine**. There is a direct relationship between public criticism, tensions between allies and what happens in the domestic sphere of the other country, whether it is Germany, Japan, or Israel, and we have seen it over the last 4 or 5 months.

Senator **Harkin**. Dr. Lomis, you testified about the situation in Cyprus. How many Americans are missing?

Dr. **Lomis**. Five, sir; they were taken prisoner during the week of the invasion.

Senator **Harkin**. No accounting has ever been made?

Dr. **Lomis**. The accounting is there, Mr. Chairman. As a matter of fact, both the Turkish Red Cross and the International Red Cross have given us the names and the State Department has given us the names in writing. The problem is the State Department will not put the pressure on Turkey saying they are working through the Red Cross because it is too sensitive and they cannot put the direct pressure on them.

Senator **Harkin**. Has Turkey admitted that they have them?

Dr. **Lomis**. They are saying that these people are no longer alive. But at that time, in 1974, they actually gave the list with all of the 1,619 missing, 1,614 of them being Cypriots and five being Americans.

Senator **Harkin**. Who gave the list?

Dr. **Lomis**. The Turks.

Senator **Harkin**. The Turks gave the list to?

Dr. **Lomis**. To the United Nations and the Red Cross.

Senator **Harkin**. They listed five Americans as being prisoners?

Dr. **Lomis**. As being taken, yes.

Senator **Harkin**. No accounting has been made?

Dr. **Lomis**. Ever since then, nothing. Yes, sir; that is correct.

Senator **Harkin**. Mr. Pendleton, during your tenure in Turkey did you ever raise this with the Turkish military about an accounting of the missing Americans?

Mr. **Pendleton**. No; that would not have been in my particular responsibility. That would have been for the Ambassador. I am not an expert on this subject, but I believe that like a lot of issues like this, it is a matter of interpretation. In other words, I am not so sure it is so cut and dried on this area.

Senator **Harkin**. Well, as I understand it, it is cut and dried that there were five American citizens that were taken. You were the senior U.S. defense representative in Turkey during that period in 1982 to 1986. You must have had contacts with the highest members of the Turkish armed forces who were somewhat involved in the Cyprus invasion.

This has been a burning issue, you know. I have been one of those who have asked for full accounting of MIA's in other wars we have been involved in, and here are five Americans that are missing which they will not account for. I think it is a sore point, and I think it is going to be a sore point with me and a lot of other people for a long time.

Mr. **Pendleton**. Well, one, I will certainly relay your concerns. I do not say this in a weaseling sense, but that was not my particular area of responsibility, but I will certainly make that point known. In fact, I will relay your concern to the new Ambassador, and the next time I visit I will ask the senior Turkish officer who is a good friend of mine about that.

Senator **Harkin**. Again, I know sometimes how it happens in war when people are missing and never accounted for; but here is a situation where evidently—and I say evidently because from what I have learned in studying it myself over the past years, these people actually were taken alive or held and never seen again.

Now certainly some military person was in charge of them.

Mr. **Pendleton**. What I will do is write a letter to the chief of the Turkish general staff and ask him what the status is, and I will send you a copy of the reply.

Senator **Harkin**. I appreciate that.

Dr. **Lomis**. Mr. Chairman, in regard to this, if you get a letter, since we are involved in this entire situation may we get a copy of that letter?

Mr. **Pendleton**. I would be happy to share that.

[The information follows:]

LETTER FROM ELMER DEAN PENDLETON

3 August 1989

Senator Tom Harkin
Chairman
Subcommittee on Foreign Operations
Committee on Appropriations
United States Senate
Dirksen S.O.B., Room 137
Washington, DC 20510

Dear Senator Harkin:

As you may recall, I testified before your Subcommittee on Tuesday, 11 July 1989. I testified as a private citizen in support of aid for Turkey.

I did not testify against Greece, since I consider her a NATO ally and support the amount and type of aid requested by our President for Greece. I do not personally know the situation in Greece, but I did serve for four years (longer than anyone else) as the senior U.S. Defense Representative in Turkey. The purpose of my testimony was to explain the need to continue to aid Turkey, especially during this difficult and dangerous period of transition that we are going through in the world today. I tried to especially make the point that since Turkey borders on the Soviet Union, Iran, Iraq, Syria, Bulgaria and of course Greece that they are truly on the front line of freedom at this time and are by far our most stable and friendly ally in the area.

Immediately prior to my presentation, two spokesmen for Greece (Dr. Lomis and Mr. Manatos) presented some very critical information about the Turks. Although I did not wish to get involved in their testimony, I did not believe that I could or should ignore their comments. I consequently presented some clarifying remarks.

Following my presentation--you had a general discussion about some of the material presented--and asked that I seek clarification from my Turkish friends on two points. Those two points pertained to an alleged five missing Americans during the Turkish move into Cyprus and the failure of the Turks to let us inspect the MIG 29 that a Soviet defector recently flew to Turkey.

The answers I have received are as follows:

> "a. A tripartite committee (Committee on Missing Persons in Cyprus) was established on 22 April 1981 under the supervision of the United Nations to investigate the fate of those who are claimed to be 'missing' during the conflict between the Turkish and Greek societies and after July 1974, in Cyprus. The Committee on Missing Persons consists of a Turkish Cypriot, a Greek Cypriot and a representative of the International Red Cross authority of the United Nations. The Committee's investigations are totally confidential and independent. The procedures and priorities of the investigations have been decided by the committee itself and the committee only determines whether the missing are alive or dead and where-ever appropriate, their appropriate date of death. The allegation that five U.S. citizens were missing has been advanced by the Greek side. When it was transmitted to the Turkish side, this allegation consisted of five missing foreign journalists. It should be noted that we possess no information indicating that the above mentioned committee has, since its establishment to date, in its works, arrived to a conclusion confirming such an allegation. Further information on this subject can be obtained from this committee in Nicosia, Cyprus.
>
> b. The second item is the allegation that Turkey prevented the inspection of the hijacked MIG-29 aircraft by NATO and/or U.S. officials. As has been previously mentioned on several occasions, in this incident, Turkey took into consideration her relations with the USA and NATO as well as the relations between East and West. The basic factor in the course of

action chosen has been our sensitivity to respect the ongoing detente between the USA and the USSR or East and West, and also not to increase the international tension. Consequently, as accepted by all the nations, the problem has been solved without damaging the interests of the partners concerned. Based on her sovereign rights, Turkey has made the necessary inspection on the aircraft and passed the information, which she deemed appropriate, to her Allies."

I hope the above information, although informal, provides you some additional insight into Turkish thinking on these important subjects. I have found in my own research since my testimony that the subject of the missing five persons is indeed a grey area at best. Hopefully the Committee on Missing Persons in Cyprus can eventually make some kind of an acceptable report to all concerned parties.

Reference to the MIG 29 incident, I clearly understand how the Turks arrived at their position. Of course as an American I would have done things differently; however, I learned long ago that each sovereign nation has its own agenda and interests and all that we can do is to try and insure that we work together as much as possible, especially on the major issues. Building support of this type takes constant work by both sides.

In the months and years ahead I believe that Turkey can and will be one of our strongest, most stable and most important allies in the Middle East, the Eastern Mediterranean and as a pivot point in East-West relations. Consequently, I again strongly recommend, as a person who has been on the ground, that the Congress approve the Aid Program requested by the President and that the Congress also refrain from passing any restrictive legislation that will adversely impact on American aid to Turkey. I appreciated the opportunity to appear before your Subcommittee and am prepared to answer any further questions that you may have.

Sincerely,

Elmer D. Pendleton

Senator **Harkin**. You probably heard Mr. Halaby and I talk about flying. I was curious about the MIG–29 incident in Turkey. When I went over to the Paris air show, they let me look in the cockpits and everything else. It was wide open. Now here they came into Turkey. When the Soviet pilot flew the MIG–25 to Japan, the Japanese allowed us to do a lot of things to that airplane. That was the mark of an ally and a friend that would allow us to do that.

I was curious as to why the Turks never allowed us to take a good look at that MIG–29.

Mr. **Pendleton**. Well, I cannot answer your question, although I can say having been there for a long period of time, when the Soviets are right on your border as they are with the Turks, you sometimes do things a little bit differently. It is not as easy to be tough all the time when you have people on your border.

So they are also trying to have reasonable relations with the Soviets right now. If I were there, had I been a Turk, I think I would have let the Americans do it. Unfortunately, the Turks did not feel it was in their best interest. As soon as I saw it in the paper, I did send it off by our friendly FAX to make sure they were aware of what the Americans were saying about it because I knew a lot of Americans would not like it, and I would say I would pass this sentiment on to them again.

Senator **Harkin**. It just seems one of those things, and again, I am sensitive to that. What the heck. Do I mind if Turkey starts having good relations with the Soviet Union? No; I encourage that, just like West Germany. They are part of our forces, too, and other NATO allies. I have no problems with that at all.

Again, when they are part of NATO and our allies, you would think that they would at least tilt a little bit toward us in instances like this.

Mr. **Pendleton**. Sir, I would agree with you 100 percent. I would say, though, a little bit in defense, not trying to apologize for them, when you have a border with the Soviets, the longest border of any country, it is a little different. It is the same with Iran and Iraq, Syria and Bulgaria. When you have borders with all of those people, it is a little different.

Senator **Harkin**. I understand that, but I think it is important for them to also understand how we feel about it.

Mr. **Pendleton**. Yes, sir; and I will make sure that they receive that.

Senator **Harkin**. Mr. Manatos, what would be the political impact of the new Greek coalition government on United States-Greece relations and on U.S. base negotiations?

Mr. **Manatos**. Well, the issues of which you speak have been frozen—the word that they use—until the new government comes into being this fall with the scheduled elections. This present coalition government has a limited scope for a few months primarily focused on some internal domestic investigations. The questions that you are asking about will be resolved this fall or are scheduled to be resolved in the elections this fall.

I must say, though, that all the indications coming from Greece are not negative. I think the Greek-American community is encouraged by what they have seen.

If I might, Mr. Chairman, correct the record on something that was said earlier about Greece's participation in NATO military exercises or the lack thereof. It should be clear that Greece has wanted to participate in each of those NATO military exercise, but there was an agreement because of the insistence of Turkey that the island of Limnos be left out of these exercises. I think the United States would react the same way if someone wanted to leave a part of the United States out of those military exercises, particularly a part that the opposition was contesting the ownership of. I doubt that we would want to participate either. So it is not clearcut.

Senator **Harkin**. What is the significance of Limnos?

Mr. **Manatos**. Limnos is an island that is very near the Turkish coast and which there have been a number of statements over the years about Turkish designs on that island.

It is a bit complicated, but Turkey used the argument that some military equipment on that island disqualifies Limnos from participation in the NATO war games.

The U.S. position has always been in essence that since this is a contested issue, let us just leave it out. The Greek position is that if you are going to leave part of our country out of the NATO war games, we are not going to participate in these particular war games. So it is not quite as clearcut as was stated earlier.

Senator HARKIN. Getting back to the United States-Greece relations and the new coalition government, how concerned should we be that some elements of this coalition government have expressed very anti-American sentiments?

Mr. MANATOS. Well, interestingly enough—you know there are 23 cabinet ministers in Greece—two of the 23 cabinet ministers have been killed by people from the left coalition. Both of these ministers are extremely highly respected and well regarded people. One of them was the president of the Athens Bar Association, which is comparable to the ABA in the United States, a highly respected jurist.

Neither of those ministers is from the small Communist Party in Greece. So this coalition government, although in the American headlines the word Communist appears very frequently, if you really look closely into this coalition it is a very fine group of highly respected people.

Frankly, in terms of their disposition toward the United States, I think you would be very pleased if you were to talk with any of them.

Senator HARKIN. Thank you all very much.

STATEMENTS OF:

CARL A. ANDERSON, VICE PRESIDENT FOR PUBLIC POLICY, KNIGHTS OF COLUMBUS

PHILIP D. HARVEY, EXECUTIVE DIRECTOR, POPULATION SERVICES

DOUGLAS JOHNSON, LEGISLATIVE DIRECTOR, NATIONAL RIGHT TO LIFE

STEVEN W. MOSHER, BRADLEY RESIDENT FELLOW, HERITAGE FOUNDATION

WERNER FORNOS, PRESIDENT, POPULATION INSTITUTE

Senator HARKIN. Our last panel is Carl Anderson, vice president for public policy, Knights of Columbus; Phil Harvey, executive director, Population Services; Douglas Johnson, legislative director, Right to Life; Steven Mosher, Bradley Resident Fellow at the Heritage Foundation; and Werner Fornos, president of Population Institute.

STATEMENT OF CARL ANDERSON

First, Carl Anderson, vice president for public policy, Knights of Columbus.

Mr. ANDERSON. Thank you, Mr. Chairman.

Mr. Chairman, the Knights of Columbus is a family-oriented Catholic fraternal organization of over 1.4 million members mostly in the United States but also with substantial membership in Canada, Mexico, the Philippines, the Dominican Republic, Panama, Puerto Rico, Guam, Guatemala, and the Virgin Islands.

The Knights of Columbus believe that international population control programs too often are an unjust collaboration with totalitarian and authoritarian regimes in the Third World. They sometimes involve violent coercion contrary to the most elemental notions of human rights. This is taking place most notably in the People's Republic of China and in places controlled by that government such as Tibet.

Mr. Chairman, Samuel Taylor Coleridge once wrote of a willful suspension of disbelief on the part of the audience as the necessary ingredient of the storyteller's art. Today the population control planners urge on us a willful suspension of belief as the foundation for their policy recommendations, a suspension of belief in the eyewitness accounts of recent human rights abuses in newspapers such as the Washington Post and the New York Times, the reports of onsite congressional staff investigators and studies by the U.S. Census Bureau.

However, the recent bloody tragedy in Tienanmen Square has shown the world an iron fist that for years has implemented just as bloody a repression by forced abortions and forced sterilizations.

Now the world can better understand what lies behind the order of central Chinese authorities that the one-child-per-family policy be carried out strictly, firmly, resolutely, and effectively.

Now, perhaps we can believe those eyewitness accounts of abortion vans moving through villages picking up women for forced abortions and sterilizations and of birth control tents where the bodies of dead babies are piled high outside them.

Mr. Chairman, the lesson to be learned from this evidence not only pertains to the brutality of the Chinese program, but it is also a lesson about those who have urged a suspension of belief about those tragic accounts. It is a lesson about those organizations such as the United Nations Fund for Population Activities [UNFPA] which have, as the Chinese themselves have claimed, put the imprimatur of the world body on China's family planning efforts, which have joined in the management of it and which have promoted it as a model for other developing nations.

Organizations which have done this, Mr. Chairman, such as the UNFPA, are not worthy of our financial support. They merit our public condemnation.

In passing H.R. 2655, the International Cooperation Act of 1989, the House once again strongly condemned the continued violation of human rights by the People's Republic of China through its one-child-per-family policy and called upon the President and the Department of State to urge the Government of China to cease immediately this repressive policy.

We urge the Senate to concur in this laudable action. We strongly urge the Senate to maintain the bipartisan support of the Mexico City policy and urge the Senate to concur in the House action codifying that policy by its adoption of the Smith amendment to H.R. 2655.

We urge the United States to take all necessary steps, including the cutoff of assistance to international organizations, to restrain the promotion, testing, and distribution of abortion-producing jobs such as IU–486 which one scientist has rightly called the first specialized antihuman pesticide.

Finally, we hope that such funds and other assistance will be redirected toward programs consistent with basic human rights and the needs of women and children in the Third World such as natural family planning and prenatal and neonatal health care.

Population goals and policies must not be considered as ends in themselves but, rather, as elements of economic and social strategies which themselves are in the service of men and women. As such, they must always be kept consistent with basic human rights and serve to support the integrity of the human person, the autonomy of the marital couple, and the right of self-determination of the family. Any proposal for economic development that ignores this view of a human person is a blueprint for tyranny.

PREPARED STATEMENT

The Knights of Columbus believe that international population control programs, especially those that feature coerced abortion and deceptive promotion of abortivation drugs constitute just such a tyrannical blueprint, and we urge that the United States have nothing to do with funding them.

Thank you very much.

Senator HARKIN. Thank you very much, Mr. Anderson.

[The statement follows:]

STATEMENT OF CARL A. ANDERSON

Thank you, Mr. Chairman.

Mr. Chairman, the Knights of Columbus is a family-oriented Catholic fraternal organization of over 1.4 million members, mostly in the United States but also with substantial membership in Canada, Mexico, the Philippines, the Dominican Republic, Panama, Puerto Rico, Guam, Guatemala, and the Virgin Islands. Since its founding over a century ago, the Knights have been dedicated to the proposition that Catholic faith and American citizenship can go hand in hand.

In keeping with that founding proposition, the Knights have always believed that while no church can impose its theology on other members of our pluralistic society, nonetheless, the Catholic ethical tradition contains insights which can be of benefit to our fellow citizens, both at home and around the globe. Accordingly, the Knights have never hesitated to provide their fellow Americans with sound advice capable of appealing to all persons of good will.

It is in this capacity that we look at the question of American aid to overseas programs of population control. We see outright abuses of human rights in the programs that the United States once funded and is now considering funding again. I would like to stress that it is not solely because of our Catholic faith that we detect these abuses. I am speaking not of violations of Catholic teachings but of violations of human rights.

I begin with the fundamental premise of all population control programs -- that overpopulation is a real and grave threat, that it exists independently of other variables, and that it must be attacked directly and quickly, by whatever methods necessary. As a scientific thesis, this view is now under intense attack, to such an extent that it no longer deserves to dominate American foreign aid policy as it has in the past.

Since the peak of the overpopulation scare in the late 60s, many scientists have reexamined the evidence and concluded that the first wave of dire demographic predictions was grossly misleading. Economists and demographers such as Julian Simon of the University of Maryland, Jacqueline Kasun of Humboldt State University in California, Ben Wattenberg of the American Enterprise Institute, Pierre Chaunu of France, Basil Yamey and Lord Peter Bauer of Great Britain, Colin Clarke of Australia, and others, have examined this issue and concluded that the assumptions and predications of the overpopulation school of thought were for the most part erroneous.

Notwithstanding this barrage of criticism, the overpopulationist viewpoint continues to dominate elitist policy-making circles far beyond its scientific merit. I suggest that it does so because it seems to offer a simple and governmentally administrable approach to problems that in fact require economic and political reforms of a sort that governments tend to resist.

As the critics of the overpopulationists have pointed out, local symptoms of overpopulation occur because of misguided governmental policies in developing countries. These governments are often seduced by a presumed need for rapid industrialization at the expense of agriculture; they also recognize a pragmatic need to shore up their support in their capital cities at the expense of agriculture, and prices of agricultural products are kept artificially low so as to curry favor with the citizens of the capital. These policies depress agricultural production, and provoke people to leave the countryside and flock into the cities.

As a result of these and other policies, the cities become overcrowded, and food production lags. Fundamental reforms of resource allocation could solve the problem. But the international organizations -- with support from the United States up until five year ago -- give these governments the opportunity to run for cover behind the smokescreen of "overpopulation." They put the blame on human reproduction, instead of on government policies that promote agricultural underproduction. While they can and should grow more food, the international organizations tell them instead to grow fewer people.

In fact, the new school of demographic economics has shown that the entire population of the world right now could fit into the state of Texas, with elbow room. People are not the problem.

Not only are people not the problem -- they are part of the solution. Human beings are producers as well as consumers. They work, they build, and they invent. Industry and agriculture do more than merely process a fixed quantity of resources. They also invent and discover new resources, and turn previously useless materials into valuable resources. In the early nineteenth century, there was a trend in fashionable opinion that had it that the world would soon end because it was running out of coal. In fact, not only have better methods of extracting coal been developed, but also, and more importantly, other sources of energy were discovered. Similarly, there was a scare over the supposed shortage of copper in the 1950s and 60s. Today there is a copper glut. What happened was that human ingenuity found alternatives to copper for use in electronics and telecommunications.

As for the core question of food, for the years 1950 to 1977, the United Nations reports a 28 percent rise in food production; the U.S. Department of Agriculture says it's 37 percent. Both sources report that since 1977, food production has continued to outpace population trends. Unfortunately, both food and population have been outpaced by the production of propaganda claiming we are producing more people than we can feed. Certainly more can and should be done to increase world food levels. Professor Colin Clark estimates that merely using up-to-date farming techniques could provide an American-level diet for 35 billion people, or a Japanese-level diet for 105 billion people.

They also need economic development -- but that is a truism. What too often passes for economic development in the Third World is merely a state-directed command economy. In those Third World countries that have bootstrapped themselves up to prosperity, accommodating large population increases in the process, the success factor is always the same: an economy that allows for private initiative. This, and not birth control, is what we should try to export if we are truly concerned about the well-being of Third World peoples.

In short, the population control movement treats an epiphenomenon as if it were the core problem. It ignores the disease in order to cure one symptom. It rests on too shaky scientific ground to furnish a basis for the expenditure of millions of American tax dollars.

In addition to problems in the theory of population control, there are grave problems as well in its execution. Most grave among these is the problem of coercion.

In 1984, an American graduate student doing research among peasants in China was thrown out of that country for revealing something that the Chinese government had been trying to keep secret: that, in pursuit of population control goals, the Chinese government carries out a horrific program of forced abortion. The student, Steven Mosher, talked with many women who told of interminable harangues by population control cadres, followed by the dragging of nine-month-pregnant women screaming into abortion tents.

At this stage, of course, the child is indistinguishable from a newborn. The typical abortion methods are the "poison shot" given to the mother, which causes a stillbirth, or the injection of poison directly through the forehead and into the brain of the infant.

China's population control program has received both money and awards from the United Nations Fund for Population Activities. Up until 1985, UNFPA received funds from the United States.

Since 1985, the Chinese embassy has been pushing two lines: That such coercion was the work of over-zealous local cadres, and that the government has moderated its coercive policies. Many American policy makers and opinion makers have accepted these lines in a remarkably uncritical fashion. Few if any such persons would accept similar disclaimers and exculpations if they came from, for instance, the embassy of South Africa.

A different story emerges from directives intended for consumption within China. Many of these have been collected by John Aird, former Senior Research Specialist on China at the U.S. Bureau of Census. I will quote from his research.

For a brief period in late 1984 and early 1985, directly following Dr. Mosher's revelations and the cut-off of American support for forced abortion programs, Chinese government directives called for moderation of "coercion and commandism." But the change was short-lived. During the 1984-85 lull in coercive measures, the cadres relied instead on verbal propaganda in favor of one-child families. But the later directives specifically condemned verbal propaganda as "empty talk."

Dr. Aird continued:

> In addition to the new iron-fisted family planning tactics, the mounting insistence that targets be fulfilled, the stiffened penalties for noncompliance, and the crescendo of rhetorical demands that policies be implemented "strictly," "firmly," "resolutely," and "effectively," the central authorities have been sending out other signals that coercive tactics improvised at the basic level are again acceptable. Though strongly suggestive and obviously open-ended, the demands are couched in abstract terms, presumably so that the central authorities can maintain "plausible deniability" in case they should later wish to disavow the resulting tactics and blame them on the lower levels, as they have often done in the past. . . .
>
> During 1987 and 1988 central demands for strict enforcement of family planning requirements escalated sharply and the escalations have continued into 1989. New measures have been devised to bring pressure on the whole administrative chain of command down to the grassroots level. Severe penalties are prescribed in the newly revised local family planning regulations. Tactics once condemned as coercive are once again advocated. Mandatory IUD insertions, sterilizations, and abortion continue. . . .

Dr. Aird concluded that:

> Chinese program is at present actually becoming more coercive, not because of local deviations from central policies but as a direct, inevitable, and intentional consequence of those policies. Foreign organizations and individuals that indiscriminately laud the Chinese program or provide financial or technical assistance for any aspect of it place themselves in the position of supporting the program as a whole, including its violations of human rights.

In February of this year Dr. Blake Kerr, a physician who recently worked in Tibet, published an article in The Washington Post giving grisly details of China's birth control policy as an instrument of oppression against Tibetans. Dr. Kerr spoke with three women whose healthy newborns were killed by lethal injections in the soft spot on their foreheads. A pair of refugee Buddhist monks told him of seeing women nine months pregnant being forced into abortion tents and getting their babies ripped out without even ordinary medical care. In the words of the monks: "We saw many girls crying, heard their screams as they waited for their turn to go into the tent, and saw the pile of fetuses build outside the tent, which smelled horrible." The monks also added this: "The birth-control teams were instituted in 1982, but since 1987 there has been a tremendous increase in the number and frequency of the teams that move from town to town, and to nomad areas."

Dr. Kerr's report is consistent with the findings of Congressional staff members in their report entitled "Trip Report: Tibetan Refugee Settlements India, Nepal November 15-30, 1988 (reprinted in Congressional Record for May 25, 1989 at page E 1917). Their report states that refugees "told us of abortion-vans that passed through villages in the early morning picking up all the women (including the Chinese) in the fields. Pregnant women were forced to have abortions. Other women, including unwed girls and the elderly were sterilized."

So much for China's claim to be tapering off its coercive habits.

Dr. Kerr adds that he does not want the Tibetans' woes to be exploited as part of an American policy debate. We agree with him that the Tibetans' problems go beyond the genocidal treatment that he has reported, and that China's human rights violations should be addressed in their totality. But surely a good place to start would be to avoid dipping our hands in the Tibetan's blood, as we would be doing if we resume funding their oppressors through UNFPA. Such crimes against women and humanity should stiffen our resolve never to permit U.S. funds or other assistance to support or endorse in any way this type of national or international population control program.

Coercive abortion and sterilization programs such as we find in China are the worst abuses in the world of population control, but they are not the only abuses. Even when direct brutality is absent, deception often takes its place. Despite the claims of population control organizations to be serving a desperate need among Third World women, there is evidence that Third Word women are being deceived into accepting "services" that they do not fully understand and that are not being adequately explained to them. This deception is being carried out by several international population control organizations, in conjunction with Third World governments, using First World money.

For instance, women are often not told of the abortifacient effects of the devices and chemicals they are being given. People of a wide variety of views on abortion should be able to agree that women who are being given abortifacients have the right to be informed of this fact. Likewise their husbands have the right to know whether they are being tricked into collaborating in aborting their own children.

The World Health Organization administers an "anti-fertility vaccine" about which a W.H.O. internal publication had this to say: "The active principle of this vaccine is a peptide immunogen that was specifically designed to elicit immunization against the hormone human chorionic gonadotrophin (hCG)... which plays a crucial role in the establishment and maintenance of early pregnancy." (Progress, bulletin of the World Health Organization Special Program of Research Development and Research Training in Human Reproduction, no. 1, p. 5; emphases added)

The technical language must not be allowed to obscure the difference between preventing the establishment of a pregnancy, and preventing the maintenance of one. It is the difference between a mere "anti-fertility vaccine" -- as the drug is called when it is administered to Third World women -- and an abortifacient.

The research and development priorities of the W.H.O. show no regard at all for the prophylactic/abortifacient distinction. Given that even supporters of legal abortion in this country are often critical of the use of abortion as a back-up contraceptive, American policy should make funding for international population control organizations strictly conditional on evidence of greater sensitivity by those organizations on this and similar points.

If such organizations choose to reject the human right of life in this manner, they should at least respect the right of Third World families to make their choices with full knowledge, rather than deceiving them into committing abortion. Until the United States has assurances that such abuses no longer occur, and will not recur, such groups do not deserve American funds.

Even when abortifacients are not directly at issue, important questions of deception remain. The population control organizations do not always display the regard for the health of Third World women that they claim as their primary motivation. Many devices and chemicals that they use have serious side effects. The population control organizations, to say the least, have not been zealous in detecting and eliminating these dangers.

The W.H.O. promotes the intra-uterine device, which, in addition to being an abortifacient, has been the subject of successful liability litigation in this country because of the severe physical harm it has done to women who have used it.

The IUD has frequently been linked to pelvic inflammatory disease. And the May 1983 edition of the Journal of Reproductive Medicine reported at 49 percent of women using IUDs suffered inflammation of the fallopian tubes, while only one percent of non-users had this affliction.

International Planned Parenthood continues to make use of Depo-Provera, an abortifacient drug that has never been approved for use in the United States. One must ask why one set of safety standards is being applied to the women of the United States, and another one -- a lower one -- to the women of the Third World. We believe this double standard opens the U.S. to charges of racism -- as does much of the practice and rhetoric of the population control organizations. This double standard does not deserve American financial support.

Another manifestation of the unwillingness of the population control groups to deal candidly or humanely with the people they are supposedly helping is the fact that some of the devices and chemicals used have long-term sterilizing effects, of which Third World families are not informed.

In 1972, an editorial in the British Medical Journal noted: "A disquieting feature of treatment with oral contraceptives is receiving increasing attention among gynecologists. This is that some women, on discontinuing the use of oral contraceptives, do not experience a normal return to menses but may remain amenorrheic for years." The technology of oral contraceptives has improved since 1972, but not so as to solve the problem of the atrophying of the ovaries from prolonged artificial suppression. Women in industrialized nations can get this information if they want it. Third World women by and large cannot, and the population control organizations are not anxious to give it to them.

Even those who believe it necessary for Third World women to be encouraged to limit their fertility should balk at measures that may end up sterilizing them for good, especially when they are not even warned of this possibility.

We are also concerned that an entire field of family planning options -- the natural methods -- have been given cavalier treatment by international population control organizations.

The old reason for this -- frequently trotted out as though it were new -- is that natural family planning means nothing more than the "rhythm" method, which is unreliable. The organizations have studiously avoided taking account of new advances in natural methods, for instance, how the Billings method and the sympto-thermal system have given natural methods an effectiveness rate equalling or surpassing that of the barrier and chemical methods.

Now that these improvements have taken place, the continued systematic ignoring of the natural methods stands exposed as resting on something other than a scientific basis. One factor may be institutional hostility towards the Catholic Church, which actively promotes natural methods for those cases where postponement or spacing of childbearing is desirable. Also, one cannot ignore the fact that the natural methods, by definition, use no manufactured chemicals or devices, and therefore hold out no prospect of profits for giant pharmaceutical companies or their agents.

When assessing "effectiveness," we must ask: effective for what, and for whom? A contraceptive that permanently destroys the fertility of a woman who only wanted to postpone childbirth may be "effective" from the standpoint of lowering overall human fertility, but it is not "effective' in any humane sense of the term. Third World women are not laboratory animals; yet groups that press abortifacients and contraceptives on them, while keeping them in the dark as to possible side effects, treat them as though they were.

Natural family planning, by contrast, always leaves open the possibility of future fertility. It is free of abortifacient or sterilizing side effects. It teaches women more about their own bodies.

Equally important is the effectiveness of natural methods on the attitudes of husbands. It causes husbands to respect their wives' natural feminine functions, as opposed to treating them as perpetually available sex objects. It encourages husbands to behave as partners in the regulation of fertility, and it frequently promotes dialogue, respect, and genuine equality between marriage partners. It thus achieves many of the goals that feminists rightly desire for women.

Furthermore, natural methods are ideally suited for people in poorer countries, because they do not depend on expensive hardware or chemical preparations.

All these features would seem to make natural family planning an important component of international family planning efforts, perhaps even the preeminently favored method. But as I have mentioned, natural methods have been virtually frozen out. The W.H.O. funds some research into natural methods, but they are at the bottom of W.H.O.'s funding priorities.

The W.H.O. sponsored a workshop in Warsaw in 1986 on "Natural Methods of Family Planning in a Non-Religious context." The Knights of Columbus have no objection to advancing natural family planning on a non-religious basis, since we believe the secular arguments in favor of it are more than adequate. But it turned out at this conference that the world "natural" was being used to include artificial barrier methods. Furthermore, the term "non-religious" turned out to be nothing more than a device for eliminating any method that involves periodic abstinence.

At this conference, any method involving periodic abstinence was dismissed as "culture-bound." The conferees were blind to the cultural bias on their own side. Funding for the W.H.O.'s population activities comes mainly from the United Kingdom, Sweden, Norway, and Denmark -- all nations where contraception has become woven into the fabric of culture. It would seem that the government of those countries are trying to impose their culture on the Third World, while rejecting alternative voices as "culture-bound."

While some of the population control organizations have begun to open up to natural methods, they often do so with restrictions that negate this opening. For instance, they require that those organizations that they fund to give counselling in natural methods also counsel for artificial ones and even for abortion. This is something that the vast majority of natural-method organizations cannot do for reasons of conscience, so they are debarred from receiving grants from the major international organizations.

To sum up, the Knights of Columbus believe that international population control programs are an unfair imposition of a pseudo-scientific ideology on the developing world, and often an unjust collaboration with totalitarian or authoritarian regimes in the Third World.

- Such programs rest on a shallow scientific footing, far below what the U.S. Congress ought to require as a prerequisite for funding;

- They sometimes involve violent coercion, contrary to the most elemental notions of human rights;

- They allow Third World governments to ignore needed economic and political reforms;

- They ignore the human rights of women and men in the Third World by failing to disclose possible side effects of the drugs and devices being used;

- They ignore safe natural methods in favor of the often dangerous methods in which multi-national pharmaceutical companies have a stake.

Indeed, the population control organizations are engaged in what can fairly be called worldwide missionary work on behalf of their worldview. That is their right, but there is no reason for American taxpayers to support this missionary work.

In passing H.R. 2655, the International Cooperation Act of 1989, the House once again strongly condemned the continued violations of human rights by the People's Republic of China through its one-child-per-family policy, and called upon the President and the Department of State to urge the government of China "to cease immediately this repressive policy." We urge the Senate to concur in this laudable action.

We strongly urge the Senate to maintain bi-partisan support of the "Mexico City Policy" adopted by the United States Government in preparation for the International Conference on Population that took place in Mexico City in 1984 and urge the Senate to concur in the House action in codifying that policy by its adoption of the Smith Amendment to H.R. 2655.

strategies which themselves are in the service of men and women. As such, they must always be kept consistent with basic human rights, and serve to support the integrity of the human person, the autonomy of the marital couple, and the right of self-determination of the family.

Any proposal for international economic development that ignores this view of the human person is a blueprint for tyranny. The Knights of Columbus believe that international population control programs -- especially those that feature coerced abortion and deceptive promotion of abortifacient drugs -- constitute just such a tyrannical blueprint, and we urge that the United States have nothing to do with funding them.

STATEMENT OF PHILIP HARVEY

Senator HARKIN. Next, Philip Harvey, executive director, Population Services.

Mr. HARVEY. Mr. Chairman, my testimony omits a few short paragraphs from the typed statement, so they do not correspond exactly, just for those who may be reading it.

Thank you very much, Mr. Chairman, for inviting Population Services International to participate in the hearing you have called today to discuss the Agency for International Development and other aspects of foreign assistance. My name is Phil Harvey, cofounder and board chairman of PSI.

Mr. Chairman, the subject about which I am testifying today is family planning assistance to developing countries and the need for significant improvement in efficiency of America's programs in providing that assistance.

As you know, family planning assistance can and has constituted one of the most effective combinations of humanitarian and developmental assistance to help relieve some of the most serious problems which plague underdeveloped nations of the world. The ability to plan pregnancies is one of the critical variables for child and maternal health as well as for the economic well being of individual families.

Unfortunately, despite warning signals from the Senate, U.S. assistance to family planning programs has been turning its focus away from the actual delivery of urgently needed services and instead consuming its budget increasing in the area of analysis and report writing and measuring its effectiveness by the amounts of money spent rather than the performance and end results of service programs as intended by Congress.

This subcommittee, recognizing the growing seriousness of this problem, included in December 1987, instructions requiring that AID provide Congress a detailed accounting of its family planning service programs and mandated that they be described statistically

We continue to support the cut-off of U.S. tax dollars to organizations overseas that promote or perform abortions, or that support or assist governmental population programs that include forced abortion or sterilization.

And we urge the United States to take all necessary steps -- including the cut-off of assistance to organizations such as the World Health Organization and the United Nations Fund for Population Activities -- to restrain the promotion, testing, and distribution of abortion-producing drugs such as RU-486 which one scientist has rightly called "the first specialized anti-human pesticide."

Finally, we hope that such funds and other assistance would be re-directed toward programs consistent with basic human rights and the needs of women and children in the Third World, such as national family planning and prenatal and neonatal health care. In these ways, the United States would continue to implement the principle approved by the 1984 Mexico City International Conference on Population: that abortion is not an acceptable means of family planning, whether or not it is imposed on families by governments.

As an alternative to the pseudo-scientific ideology that lies behind the population control movements, the Knights of Columbus propose a vision that the great Protestant moral theologian Paul Ramsey called "fundamental in the edifice of Western law and morals." That vision is, again in Professor Ramsey's words: "the notion that an individual human life is absolutely unique, inviolable, irreplaceable, non-interchangeable, not substitutable, and not meldable with other lives...."

Population goals and policies must not be considered as ends in themselves, but rather as elements of economic and social through the widely accepted yardstick of a couple years of protection, or CYP's. That is the delivery of contraceptive supplies adequate to protect one couple from unwanted pregnancy for 1 year. The actual language is included with this testimony for your reference. This very useful yardstick for measuring actual family planning services delivered to the intended beneficiaries has become a widely accepted way of calibrating the performance of family planning programs. The use of this measurement tool permits the United States to determine not only those programs which are delivering the most service to the most people but also to ascertain which distributions systems are relatively most efficient and cost effective.

For example, once the CYP's for a given program are known, the cost of that program can be compared with the CYP's delivered, resulting in a cost per CYP figure by which country-by-country program comparisons may be made as well as comparisons of the performance of different AID contractors and other intermediaries.

The efficiencies revealed by this process are remarkable. We have found, for example, that with well-managed programs, full contraceptive protection can be provided to one couple for 1 year for about $7. That is just $7 for one couple for 1 year. It is an astonishingly good investment compared to almost any other form of humanitarian or developmental assistance.

By comparison, AID's overall performance is poor, with delivery cost double the figure cited above and still rising. Moreover, rigorous analysis of recent contract awards would, I believe, reveal costs somewhere between $20 and $50 per CYP, some ranging even up to $100 per CYP, clearly a performance level we can and should improve. In this context it is particularly distressing to watch the continued decline in the number of CYP's delivered by the U.S. family planning program while the cost per CYP continues to rise. As the costs rise, the number of needy couples reached by these programs goes down, exactly the reverse of what is needed.

This consequence is clearly at odds with the intent of Congress, since this committee and others have long recognized the urgency of providing family planning services to the maximum number of couples possible within the constraints of a limited budget.

PREPARED STATEMENT

Congress can reverse this trend fairly quickly by insisting on CYP accountability from U.S.-funded family planning programs and demanding rigorous documentation of this simple performance indicator. Congress can make clear that it intends to see family planning services delivered efficiently to the target populations while greatly improving and expanding this service to needy people. All of this, Mr. Chairman, without adding a single dollar of taxpayer money to the level of funding already approved.

We stand ready to offer any assistance we can to you and your staff in this connection. Thank you, Mr. Chairman.

Senator **Harkin**. Mr. Harvey, we thank you very much.

[The statement follows:]

STATEMENT OF PHILIP D. HARVEY

Thank you, Mr. Chairman, for inviting Population Services International to participate in the hearing you have called today to discuss the Agency for International Development and other aspects of foreign assistance. My name is Phil Harvey, Co-founder and Board Chairman of PSI.

PSI is a non-profit corporation that provides health and family planning products and services to the people of developing countries. It is active in Asia and Africa, providing family planning assistance to more than two million couples in less developed countries in what we believe is an efficient, cost-effective manner. PSI has been providing this service since 1970 and is proud to serve as an adjunct to American foreign assistance to people in need around the world.

Mr. Chairman, the subject about which I am testifying today is family planning assistance to developing countries and the need for significant improvement in the efficiency of America's programs in providing that assistance. As you know, family planning assistance can and has constituted one of the most effective combinations of humanitarian and developmental assistance to help relieve some of the most serious problems which plague underdeveloped nations of the world. The ability to postpone or otherwise plan pregnancies is one of the critical variables for child and maternal health as well as for the economic well-being of individual family units. This is especially true in the poorest regions where population growth saps the economic development of the countries concerned, while dramatic increases in the numbers of dependent children add to already desperate poverty. This applies a multiplier effect to the existing severe problems of malnutrition, hygiene and health, employment and education.

Unfortunately, despite warning signals from the Senate, U.S. assistance to family planning programs has been turning its focus away from the actual delivery of urgently needed services, and instead consuming its budget increasingly in the area of analysis and report writing, and measuring its effectiveness by the amounts of money spent rather than the performance and end results of service programs intended by Congress.

The Foreign Operations Subcommittee, recognizing the growing seriousness of this problem, included in December, 1987, instructions requiring that A.I.D. provide to Congress a detailed accounting of its family planning service programs and mandated that they be described statistically through the widely accepted yardstick of "couple years of protection" (CYPs), that is the delivery of contraceptive supplies adequate to protect one couple from unwanted pregnancy for one year. (The actual language is included with this testimony for your reference.)

This very useful yardstick for measuring the actual family planning services delivered to the intended beneficiaries -- whether in the form of clinic-based countraceptive methods, or in over-the-counter methods sold through shops or distributed door-to-door -- has become a widely accepted way of calibrating the performance of family planning programs. The use of this measurement tool permits the U.S. to determine not only those programs which are delivering the most service to the most people but also to ascertain which distribution systems are relatively most efficient and cost-effective. For example, once the CYPs for a given program are known, the cost of that program can be compared with the CYPs delivered, resulting in a cost-per-CYP figure by which country-by-country program comparisons may be made as well as comparisons of the performance of different

A.I.D. contractors and other intermediaries. The efficiencies revealed by this process are remarkable. We have found, for example, that, with well-managed programs, full contraceptive protection can be provided to one couple for one year for about $7 -- an astonishingly good investment compared to almost any other form of humanitarian or developmental assistance. This is particularly true because of the crucial importance of birth spacing to maternal and child health and such key indices of health as infant mortality.

By comparison, A.I.D.'s overall performance is poor, with delivery costs double the figure cited above, and still rising. Moreover, rigorous analysis of recent contract awards would, I believe, reveal costs somewhere between $20 and $50 per CYP, some ranging even up to $100/CYP, clearly a performance level we can and should greatly improve.

In this context, it is particularly distressing to watch the continued decline in the number of CYPs delivered by the United States family planning program while the costs per CYP continue to rise unnecessarily. As the costs are allowed to rise, the number of desperately needy couples reached by the program goes down -- exactly the reverse of what is needed in increasingly over-populated nations.

A.I.D. has been unable or unwilling to provide precise statistics, even in response to the Senate Subcommittee's request. It is apparent that the present level of 12 to 14 million CYPs claimed by A.I.D. as its achievement under the program is actually decreasing as more and more resources are dedicated to peripheral bureaucratic processes of research, analysis, reporting and other paperwork exercises, producing an accelerated reduction in the actual delivery of family planning services. As a result, A.I.D.'s rate of efficiency in this vital program is dropping and many millions of impoverished couples are not being reached by this important service. The populations in the recipient countries are not static, so as need soars, assistance per recipient falls even faster than the absolute drop in service. This consequence is clearly at odds with the intent of Congress since this Committee and others have long recognized the urgency of providing family planning services to the maximum number of deserving couples possible within the constraints of a limited budget.

Congress can reverse this trend fairly quickly. By insisting on CYP accountability from U.S.-funded family planning programs and demanding rigorous documentation of this simple performance indicator, Congress can make it clear that it intends to see family planning services delivered efficiently to the target populations while greatly improving and expanding this service to needy people. And all of this, Mr. Chairman, without adding a single dollar of taxpayer money to the level of funding already approved. We stand ready to offer any assistance we can to you and your staff professionals.

Thank you, Mr. Chairman, for inviting me to appear before you today.

Attachment to Testimony
of Philip D. Harvey*

MEASUREMENT OF PROGRAM EFFECTIVENESS

The Committee believes that the effectiveness and efficiency of AID's family planning programs could be improved were the Agency to apply standard measurement formula in evaluating the success of its population programs. To date, the Committee is unaware that AID uses such an approach to evaluating its family planning programs and, as a result, is concerned that the Agency is unable to assess whether the funds spent on a given project actually achieve the results they are expected to achieve. An objective measurement formula focusing on results achieved rather than on funds spent, should greatly benefit AID's family planning programs.

Private organizations in the family planning field have for many years employed measurement formulas which focus on results, typically relying on the couple-years protection [CYP] formula. This measurement standard was developed over many years by research organizations in close collaboration with AID and is widely recognized by academic institutions and practitioners as an accurate and convenient mechanism both to determine the cost of family planning services on a per family basis and to measure the number of families reached by these programs.

The CYP is defined as the provision of family planning services sufficient to provide one couple with 1 year of complete contaceptive protection against pregnancy. It is adaptable to both clinic-based and non-clinic service delivery modes, enabling program evaluators to compare the cost efficiency of different methods of delivery as well as different contraceptive methods. The Committee directs that, on March 31, 1988, AID submit an interim report detailing the steps the Agency is taking to establish and utilize a CYP-based methodology for evaluating program effectiveness and, on each March 31 thereafter, a report detailing how the Agency is using this methodology in the allocation of population planning assistance funds.

* 100th Congress, 1st Sesssion, Senate Report 100-236, "Foreign Assistance and Related Programs Appropriations Bill, 1988" (to accompany S. 1924).

STATEMENT OF DOUGLAS JOHNSON

Senator Harkin. Next, Douglas Johnson, legislative director, National Right to Life.

Mr. Johnson. Thank you, Senator. The National Right to Life Committee [NRLC] is the Nation's major pro-life organization. We are composed of about 3,000 local chapters.

NRLC has two major concerns with respect to this bill. First, we strongly support retention of the language now generally referred to as the Kemp-Kasten amendment which denies population assistance funds to organizations which support coercive population policies.

Second, we oppose inclusion of any language to weaken the Mexico City policy.

In 1987, provisions to nullify these two pro-life policies were included by Senator Inouye in the subcommittee's bill, but they were deleted on two rollcall votes in the full Appropriations Committee.

Those who advocate undercutting these pro-life policies will again face an uphill battle in this Congress. On June 22, during consideration of the Foreign Aid Authorization bill, the House of Representatives defeated an amendment to nullify the Mexico City policy by a 66-vote margin. The House instead adopted an amendment to codify both the Mexico City policy and the Kemp-Kasten amendment.

More than one-third of the Members of the House recently signed a letter to President Bush promising to sustain a veto of any bill or continuing resolution which weakens either of these policies, and President Bush has indicated strong support for both of these policies.

Prior to promulgation of the Mexico City policy of 1984, the 1973 Helms amendment prohibited the direct use of population assistance funds to pay for the performance of abortion as a method of family planning. That law, however, does not greatly impede AID-funded PVO's from using U.S. funds to actively promote abortion and to undermine the antiabortion laws of sovereign states.

Under the Mexico City policy, however, the United States no longer subsidizes those organizations to promote the killing of unborn human beings.

According to the Agency for International Development, the Mexico City policy, "Has not reduced our total family planning assistance by even 1 dollar. The withheld funds are reprogrammed to support other family planning programs."

However, the London based International Planned Parenthood Federation and the Planned Parenthood Federation of America have refused to conform to the policy. The central problem here is that these two organizations believe they have a mission to legalize abortion throughout the developing world. They do not approve of the laws against abortion which are in effect in almost all developing countries.

The United Nations reported in 1984 that only 8 out of 126 less developed countries have legal abortion for social reasons, and we believe that these laws reflect the legal, cultural, and religious values of those nations. Therefore, we strongly oppose any renewal of subsidies to organizations which undermine or defy the antiabortion laws of sovereign nations or which otherwise promote abortion.

A few words on the U.N. Fund for Population Assistance [UNFPA]. We encourage the subcommittee to retain the Kemp-Kasten amendment. Each year since 1985, AID has issued official determinations that the Chinese Government systematically employs coercive abortion and has backed these determinations with extensive documentation from intelligence, diplomatic, and journalistic sources.

The UNFPA has played a key role in China's population program. Top UNFPA officials have vigorously defended China's population policies. As recently as May 24, the executive director of the UNFPA, Dr. Nafis Sakik, insisted that China is operating a totally voluntary program. In fact, however, it appears that China's population policies, if anything, are growing more systematically coercive, especially in Tibet.

On February 26, the Washington Post published a lengthy compilation of eyewitness accounts of mobile population control teams descending upon villages in Tibet and physically compelling every pregnant woman to submit to abortion, regardless of the stage of pregnancy.

Now, despite the overwhelming evidence of pervasive coercion in China's program, the government there still has its defenders. You will hear in a moment from the Population Institute. We have been engaged in this debate for the past 5 years. I have often heard Mr. Fornos say that our Government should simply accept the assurances of Chinese officials that their program is voluntary. We respectfully submit that such assurances by Chinese officials are worthy of the same credence as the solemn pronouncements by equally highly placed officials that nobody died in Tiananmen Square on June 5.

PREPARED STATEMENT

We hope that the subcommittee will bring a greater degree of skepticism to bear on these claims and note that on instructions from Secretary Baker the U.S. delegate to the U.N. Development Program, on June 7, strongly dissented from the UNFPA's plan to remain in China for 5 years. We believe that this demonstrates the Bush administration clearly recognizes that China's program remains coercive and that the UNFPA's continued involvement there cannot be reconciled with the Kemp-Kasten amendment.

Senator **Harkin**. Thank you very much, Mr. Johnson.

[The statement follows:]

STATEMENT OF DOUGLAS JOHNSON

The National Right to Life Committee (NRLC) is the nation's major pro-life organization, comprised of some 3,000 local chapters. NRLC has two major concerns with respect to the FY 1990 foreign operations appropriations bill.

First, we strongly support retention of the language which has been part of the bill since 1985, now generally referred to as the "Kemp/Kasten Amendment," which denies population assistance funds to "any organization or program which ... supports or participates in the management of a program of coercive abortion or involuntary sterilization." Because the United Nations Fund for Population Activities (UNFPA) violates the Kemp/Kasten provision by its support for China's coercive population program, the UNFPA has received no U.S. funds since 1985. Because the UNFPA recently made it clear that it will continue to support China's program for at least another five years, we oppose any earmarking of funds for the UNFPA.

Second, we oppose inclusion of any language would have the effect of weakening or nullifying the "Mexico City Policy."

In 1987, language to nullify these two pro-life policies was included by Senator Inouye in the subcommittee's bill, but were deleted on two roll call votes in the full Appropriations Committee. Those who advocate undercutting these pro-life policies will face an uphill battle in this Congress, as well. As recently as June 22, during consideration of the foreign aid authorization bill, the House of Representatives defeated an amendment to nullify the Mexico City Policy by a 66-vote margin. The House instead adopted an amendment to codify both the Mexico City Policy and the Kemp/Kasten Amendment. (The prospects for enactment of the authorization bill are clouded, so it is necessary for the Kemp/Kasten language to be retained on the FY 1990 appropriations bill.)

Moreover, the Bush Administration has indicated its strong support for both of these policies. In June, the Administration formally objected to the UNFPA's plan to remain in China for another five years. President Bush himself strongly reaffirmed the Mexico City Policy in a videotaped address to the National Right to Life Convention on June 29. More than one-third of the members of the House recently signed a letter to President Bush, promising to vote to sustain a veto of any bill or continuing resolution which weakens either of these policies.

The Mexico City Policy

Prior to 1984, the population assistance account was a major source of funding for private voluntary organizations (PVOs) which were aggressively involved in campaigning for the legalization of abortion in less-developed countries, and in providing abortion and promoting abortion in various ways. The 1973 Helms Amendment to the Foreign Assistance Act prohibited the direct use of population assistance funds "to pay for the performance of abortions as a method of family planning." However, as construed, this amendment did not greatly impede A.I.D.-funded PVOs from using U.S. funds to actively promote abortion or to undermine the anti-abortion laws of sovereign states.

For example, during the late 1970s the Pathfinder Fund received about 90% of its budget from A.I.D., while simultaneously boasting of its effectiveness in establishing abortion clinics in certain developing countries-- even where illegal. As the Fund noted in a fundraising letter from that era, "the offering of pregnancy termination services seemed an excellent way to introduce family planning." Ostensibly, the actual "performance of abortions" was being paid for with the 10% of the organization's budget received from non-A.I.D. sources.

Under the Mexico City Policy, the U.S. no longer subsidizes those organizations which promote the killing of unborn human beings. To qualify for funds, an organization must refrain from performing or promoting abortion (except to save the life of the mother, or in cases of rape or incest), or lobbying to legalize abortion. According to A.I.D., the Mexico City Policy "has not reduced our total family planning assistance by even one dollar. The withheld funds were reprogrammed to support other family planning programs." All but a few foreign

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family planning organizations have accepted the Mexico City conditions. According to A.I.D., 300 subgrantees are conducting approximately 700 projects in about 70 nations under the terms of the Mexico City Policy.

Two major organizations have refused to conform to the Policy: the London-based International Planned Parenthood Federation (IPPF), and the Planned Parenthood Federation of America (PPFA). (However, PPFA continues to receive some A.I.D. funding, pending the resolution of a legal challenge.) These two organizations believe they have a mission to legalize abortion throughout the Third World. They do not approve of the laws currently in effect in most less-developed nations. According to a 1984 U.N. report, abortion for social reasons is legal in only 8 out of 126 nations classified as "less-developed."

In a landmark 1980 study of population assistance programs, Donald P. Warwick of the Harvard Institute for International Development wrote that IPPF "has in word and deed been one of the foremost lobbyists for abortion in the developing countries." Warwick also argued that groups such as IPPF violate internationally accepted principles of national autonomy when they seek to undermine anti-abortion laws.

PPFA/IPPF leaders have even urged national family-planning groups to ignore anti-abortion laws where that is possible. For example, a 1983 IPPF document-- signed by PPFA President Faye Wattleton, among others-- recommended that IPPF affiliates violate "unfavourable" laws:

> "Family Planning Associations [IPPF affiliates] and other non-governmental organizations should not use the absence of a law or the existence of an unfavourable law as an excuse for inaction; **action outside the law, and even in violation of it, is part of the process of stimulating change.**" (Report of the Working Group on the Promotion of Family Planning as a Basic Human Right, to the Members' Assembly and the Central Council of the IPPF, November 1983)

PPFA's Wattleton insists that the U.S. taxpayer is obligated to subsidize her organization's crusade to export legal abortion. In an April 14, 1987 speech to the National Press Club, she called legal abortion "a universal human right, to which every person on this planet is entitled," and added: "Our government must increase its funding to make contraception and safe, legal abortion available in developing nations."

NRLC believes that it is highly objectionable to subsidize organizations, such as PPFA and IPPF, which undermine or defy the anti-abortion laws of sovereign nations-- laws which reflect the legal, cultural, and religious values of these nations. As A.I.D. told Congress in 1985:

> "Abortion is a controversial issue in many countries, especially those with large Catholic or Moslem populations. The U.S. has been criticized in developing countries for its funding of groups (such as IPPF and some of its affiliates) which perform abortions with their own funds...The Administration believes that it is important to avoid the damage to U.S. interests which results from the belief that it supports abortion. A principle purpose of the [Mexico City] policy is to avoid the hostility to the U.S. resulting from U.S. identification with abortion. Where abortion services are provided by an organization of which the U.S. is a major contributor, it is unrealistic not to expect that the U.S. be identified with its activities. However, where U.S. support is rendered to a government program, there is little damage to the U.S. reputation since the issue is one of domestic politics. (A.I.D. "Population Assistance Fact Sheet," May, 1985)

Pro-abortion leaders now complain that, as a direct result of the Mexico City Policy, there has been "a near halt in the liberalization of abortion laws in third world countries" ("Abortion-Aid Cutoff Still Being Judged," The New York Times, Feb. 27, 1989, A16.) This buttresses our contention that the pre-Mexico City Policy campaigns to legalize abortion in developing countries were not, for the most part, truly indigenous, but rather had been orchestrated by international PVOs such as IPPF, heavily subsidized by A.I.D.

PPFA claims that the Mexico City Policy will increase the number of unwanted pregnancies and abortions in developing countries. These claims are based in part on a so-called "study" by University of Michigan academics, commissioned and funded by PPFA in 1987. This "study" consisted entirely of self-serving extrapolations based on arbitrary assumptions and sheer speculation. We categorically reject the tortured proposition that, by refusing to subsidize organizations which promote abortion as a birth-control option, the U.S. government will increase the number of abortions. It defies both common sense and experience to believe that giving millions of dollars a year to PPFA will diminish the number of abortions in developing countries, when the clearly predictable result of legalizing abortion as a legal birth-control "option" is to multiply the number of abortions. The result of the legalization of abortion in the United States was an increase from roughly 200,000 illegal abortions a year to 1.6 million legal abortions a year.

During the current Congress, several proposals to overturn the Mexico City Policy have been proposed. These proposals attempt to nullify the Mexico City Policy by providing that no restrictions may be placed on the use of population assistance funds which would be inconsistent with the United States constitutional rights and/or court interpretations of the major domestic family planning program, Title X of the Public Health Service Act. One such formulation, offered on the House floor by Rep. Kostmayer on June 22, was defeated 229-163.

The effect of such proposals would be to require U.S. funding of organizations which organize political campaigns to overturn the anti-abortion laws of sovereign nations. Moreover, these proposals would require funding even of organizations which blatantly violate the anti-abortion laws of sovereign nations, if those laws are "inconsistent" with Roe v. Wade. This could allow, for example, a U.S.-funded organization to train abortionists and otherwise assist in setting up abortion providers in Brazil, where abortion is illegal, so long as U.S. dollars were not used directly to pay for abortions. Such an extension of Roe v. Wade to the developing world would be entirely unacceptable.

The United Nations Population Fund

Mr. Chairman, we encourage you to retain the clause now generally referred to as the Kemp/Kasten Amendment, which provides that no population assistance funds "may be made available to any organization or program which, as determined by the President of the United States, supports or participates in the management of a program of coercive abortion or involuntary sterilization."

Each year since 1985, A.I.D. has issued official determinations that China's program is "systematically coercive" and includes coercive abortion. A.I.D. has backed up its determinations with extensive documentation from intelligence, diplomatic, and journalistic sources. (A.I.D.'s initial determination in 1985 was challenged in a lawsuit filed by the UNFPA-funded Population Institute, but a three-judge panel of the U.S. Court of Appeals for the District of Columbia unanimously ruled that the evidence presented by A.I.D. "amply supports" the A.I.D. cutoff of the UNFPA.)

The UNFPA has played a key role in China's population program-- beyond that revealed by merely examining the dollars spent. For example, the UNFPA has assigned advisors to the "State Family Planning Commission" which directs the entire program; purchased millions of dollars worth of computers to monitor the program; provided the technical experts who have trained thousands of Chinese population-control officials; and presented China with the U.N. award for "the most outstanding" population program (1983). Top UNFPA officials have also vigorously defended China's population policies against criticism from members of Congress and others. The late executive director of UNFPA, Rafael Salas, gave a speech in 1986 praising the Chinese program and lambasting the U.S. for placing "moral" (i.e., human rights) conditions on its assistance. And at a May 24, 1989 luncheon sponsored by the Congressional Coalition on Population and Development, the current UNFPA executive director, Dr. Nafis Sadik, continued to insist that China is operating "a totally voluntary program."

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The Chinese government has not reformed its population program. Indeed, China now seems to be employing coercion more systematically than in the past. With few exceptions, the de facto government policy remains the same as that described by Washington Post China correspondent Michael Weisskopf in his in-depth series published in January, 1985: "Any mother who becomes pregnant without receiving official authorization after having one child is required to have an abortion...Many are performed in the last trimester of pregnancy... and some as late as the ninth month."

More recently (Feb. 26, 1989), the Post published eyewitness accounts of mobile "teams" descending upon villages in Tibet and physically compelling every pregnant woman to submit to abortion, regardless of the stage of pregnancy. I submit to the subcommittee a number of recent press accounts documenting the prevalence of these brutal practices.

Despite the overwhelming evidence that China's government systematically employs coercive abortion, the program still has its defenders. For example, the Population Institute (an organization which has received heavy funding from the UNFPA) has since 1985 strongly urged the Congress to simply accept the Chinese government's assurances that its population program is entirely voluntary. The president of the Population Institute said in 1985 that China's leaders were "bending over backwards to make certain that their programs reflected a spirit of voluntarism." An Institute press release argued: "If the United States is willing to accept the Chinese government's guarantee that they will not produce nuclear weapons from the sale of nuclear power reactors, it should also be prepared to believe government leaders' statements that they abhor coercion."

We believe that the assurances of the Chinese leaders regarding their abhorrence of coercion are worthy of the same credence as the solemn pronouncements by equally highly placed Chinese officials that nobody died in Tiananmen Square. We hope that the members of this subcommittee will scrutinize such official denials with less credulity than that displayed by the leaders of the Population Institute, the Population Crisis Committee, and other apologists for China's population-control efforts.

We anticipate that an attempt may be made to delete the Kemp/Kasten language, substituting in lieu thereof language to earmark funds for the UNFPA, with only symbolic "restrictions" placed upon those funds. Such language is found, for example, in Rep. Claudine Schneider's "global warming" bill (HR 1078). This provision would earmark funds for UNFPA, subject only to the requirement that U.S. funds not be used directly "to pay for the performance of involuntary sterilization or abortion or to coerce any person to accept family planning." Such narrow-- indeed, cosmetic-- language would effectively gut the current law. It would permit the UNFPA (or other organizations) to receive U.S. funds and simultaneously participate to almost any degree in population-control programs which include coercive abortion. Indeed, the U.S. funds could be used directly to support many aspects of such a coercive program-- for example, by training personnel, buying equipment, and so forth-- so long as no funds were used directly "to pay for the performance of" coercive abortions or sterilizations, or "to coerce any person to accept family planning," whatever that means. Such language would allow the UNFPA to regain U.S. funds in return for mere bookkeeping devices and verbal assurances, without meaningful reforms.

On June 7, the United Nations Development Programme Governing Council approved a new $57 million, five-year extension of the UNFPA's involvement in China's population program. On instructions approved by the Secretary of State, the U.S. delegate stated: "We strongly oppose the [UNFPA] program [for China] as currently formulated and dissociate ourselves unequivocally from any interpretation of this body's [UNDP's] consensus that suggests we approve the family planning program in the People's Republic of China."

Thus, the Bush Administration clearly recognizes that China's program remains coercive, and appears to recognize that UNFPA's continuing involvement in that program cannot be reconciled with the Kemp/Kasten Amendment. We urge the subcommittee not to reward the UNFPA for its recalcitrant insensitivity to the gross human rights abuses in China by weakening the current law.

There is one other aspect of the UNFPA's operations which should be brought to the attention of this subcommittee. The UNFPA is now funding clinical studies on the drug RU-486, a pill used to induce abortions between the fourth and seventh week of pregnancy. This, in the face of repeatedly facile assurances by UNFPA officials that the agency "does not support abortion programs." In our view-- and this is completely aside from the Kemp/Kasten Amendment-- UNFPA's funding of RU-486 trials violates the Mexico City Policy.

STATEMENT OF STEVEN W. MOSHER

Senator HARKIN. Next, Steven Mosher, Bradley Resident Fellow, Heritage Foundation.

Mr. MOSHER. Thank you, Senator Harkin.

Many China watchers were shocked that the Beijing regime would use deadly force against unarmed demonstrators. As one who has been following China's population control program for the last 10 years, I was not. China's program has been from its inception—which I witnessed in a village in China 10 years ago—and remains today, coercive in both design and implementation.

Most couples are limited to one child by means detailed by what Beijing calls its technical policy on population control. This technical policy on population control, which is something different than the one child policy, requires IUD insertion after one child, sterilization after two children, and abortion for women pregnant outside the plan. Under this policy, both urban and rural women with one child are required to have IUD's inserted, the removal of which is a crime. Both urban and rural women who bring a second child to term continue to be sterilized, sometimes involuntarily. Both urban and rural women pregnant with second children for which they have not been given exemptions are pressured to get abortions, and sometimes force is used.

Now, in some provinces of China beginning 2 years ago, rural couples whose first child is a girl are now given permission to have a second child; but even if the one child policy were abandoned tomorrow in favor of a two child policy, the program would still remain painfully coercive as IUD, sterilizations and abortions continued. These problems, the problem of coercion will obviously continue as long as the Chinese state continues to deny the Chinese people reproductive freedom.

Now, what impact will the Beijing massacre and the purge of democratic activists that is currently under way in China have on the population program, per se? One might argue that the purge of democratic activists would distract officials from other policy goals including population control work and the program might relax. Unfortunately, the nationwide network of population control workers, mostly female, is separate and distinct from the party command and control operators and the state security forces who are currently engaged in the hunt for democratic activists.

So the work of the population control element in the government has not been affected by the purge. If anything, the general atmosphere of political orthodoxy that has been created makes the population control workers even more zealous in meeting their quotas. As we have seen over the last 40 years, political campaigns tend to reinforce one another and to greater excess.

What indirect effect will the continuing purge of activists have on the population control program? Specifically, what would happen to population control if further economic reforms were put on hold? The fact is the economic reform program of the past 10 years in China has dealt quite well with China's population problem. While China's population in need of employment continues to grow at several percent a year, the private sector has been growing at a rate 10 times faster, and rates of underemployment and unemployment in China are moving steadily downward.

Although the new leadership does not appear to want to turn the clock back on existing reforms, the period of economic stagnation into which China is now heading could easily lead to a further tightening of birth quotas and an increase in coercion.

The government has also averted its eyes in recent years as perhaps 50 million villagers have moved from the countryside into the cities in response to labor demand. The government has found it very difficult to control births among this floating population. These migrants may now be required to register in the cities or return to their villages. Either way, they would again be subject to birth quotas and coercion.

So I think, if anything, to summarize, the program will grow more coercive in months to come.

It is not consonant with America's commitment to human rights to support directly or indirectly a Chinese program which not only violates the rights of couples to decide for themselves the number and spacing of their children but also the right of women to control their own bodies. We hope that the Senate would share the reluctance of the House to resume AID funding to the UNFPA at a time when that organization has not shown the slightest intention to distance itself from the coercive abortion and sterilization practices of China, which is still one of its largest grant recipients.

PREPARED STATEMENT

To do so would send the message to the world that America cares little about violations of human rights and population control programs or violations of human rights in China.

Thank you.

Senator Harkin. Thank you very much.

[The statement follows:]

STATEMENT OF STEVEN W. MOSHER

Summary of Policy

China's population control program is coercive in both design and implementation. Most couples are limited to one child, by means detailed by Peking in its "technical policy on population control." This policy requires IUD insertion after one child, sterilization after two, and abortion for women pregnant outside the plan. Under this policy, both urban and rural women with one child are required to have IUDs inserted, the removal of which is a crime. (FBIS-CHI-87-133, July 13, 1987, p. Q1) Both urban and rural women who bring a second child to term continue to be sterilized, sometimes involuntarily. Both urban and rural women pregnant with second children for which they have not been given exemptions are pressured to get abortions, and sometimes force is used.

In some provinces of China rural couples whose first child is a girl are now often given permission to have a second child. But even if the one-child policy were abandoned tomorrow in favor of a "two-child," policy, the program would remain painfully coercive as IUD insertions, sterilizations, and abortions continued. These problems will continue as long as the Chinese state continues to deny the Chinese people reproductive freedom. Pressure seems to be intensifying as the purge of democratic activists spills over into other government initiatives.

THE CASE OF Q.B. LI

A recent, well-documented case of the methods used by Chinese population control officials to enforce the "technical policy on population control" is that of Dr. and Mrs. Quan B. Li. who are sitting in this room as I speak.

Dr. Li were selected by the Chinese government seven years ago to come to the United States to pursue a doctorate. Like the vast majority of Chinese scientists sent abroad to study, Dr. Li was not allowed to take his family. Dr. Li's wife, Ping Hong, chafed at this forced separation from her husband and four years ago applied herself to study in America. Such requests are seldom granted. Ping Hong, however, was given an exit visa and arrived in America three years ago.

Dr. Li completed his Ph.D. in March, 1986, and was given permission to stay on for an additional 18 months of practical training in his field. He and his wife were looking forward to returning to China. Q.B. had been promised a full professorship at his university, while Ping Hong was given to understand that an important post awaited her at her place of employ, the Walfantia Bearing Factory.
The factory wrote Dr. Li's wife, warning her that "We have passed all the necessary evaluations and reviews. But if our birth control program allows even a single second birth, our factory will not be permitted to advance. All of the strenuous efforts of our 20,000 employees towards this goal will have been in vain. Moreover, our whole factory will be disqualified from any production contests, and the bonuses and benefits of all employees will be negatively affected.

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From the factory director, to the department heads, to the cadres in charge of the birth control program, all of us will be punished.

The consequences for you are unthinkable. You would be condemned by all the staff and line employees of the factory. How could you bear the losses you would cause and suffer?

You should seriously reflect on these consequences, and come to a speedy decision to fix your problem any way you can. You must not delay! If you have real difficulties [getting an abortion in the U.S.], return to China immediately for an abortion. We expect you to report your actions to factory officials as soon as you receive this letter, so that we may report them to higher authorities. There is no time to waste.

To your health!

Population Control Office
Walfantia Bearing Factory
Dalian Subdivision
Dalian, Manchuria
People's Republic of China

* * *

The last letter Ping Hong received was the bluntest of them all.

* * *

Comrade Ping Hong:

Have you received our last express mail letter? Have you taken any action as a result?

The factory officials are anxious to know whether or not you have done as ordered, since your actions affect the benefits of all employees in the factory as well as the factory's future. The punishment for this kind of violation [having a second child] is very severe, and we strongly advise you not to risk it.

If you cannot have this abortion done abroad, then the factory director orders you to return to China immediately. Any further delays, and you will be punished according to the law.

There is nothing ambiguous about our order! Make up your mind immediately!

To your health!

Walfantia Bearing Factory
Dalian Subdivision
Dalian, Manchuria
People's Republic of China

Although the application of Dr. and Mrs. Li for political asylum was initially turned down by the INS, on August 5, 1988, then Attorney General Edwin Meese granted the Lis and two other couples political asylum on the grounds that they had demonstrated a well-founded fear of persecution upon return to the PRC.

At the same time, he issued new policy guidelines to be followed by the INS in the adjudication of all asylum applications from nationals of the People's Republic of China (PRC) who express a fear of persecution upon return to the PRC related to that country's "one couple, one child" family planning policy. Specifically, he directed that:

> "All INS asylum adjudicators are to give careful consideration to applications from nationals of the People's Republic of China who express a fear of persecution upon return to the PRC because they refuse to abort a pregnancy or resist sterilization after the birth of a second of subsequent child in violation of Chinese Communist Party directives on population. If such refusal is undertaken as an act of conscience with full awareness of the urgent priority assigned to that policy by high level PRC officials and local party cadres at all levels as well as of the severe consequences which may be imposed for violation of the policy, it may be appropriate to view such refusal as an act of political defiance sufficient to establish refugee status under 8 U. S. C. #1101(a)(42)(A). Indeed there is evidence to support the assertion that such an act is viewed by PRC officials as "political dissent." Therefore, a finding of the requisite "well-founded fear of persecution" under these circumstances is reasonable. (Enclosure 1)

THE CASE OF LEE PAN YUAN

While population control officials were unable to do more than threaten Dr. and Mrs. Li, because they were residing in the United States, they can and do take more active measures against couples in China. The case of Mr. Lee Pan Yuan is illustrative. (WASHINGTON POST, February 5, 1989; THE NEW YORK TIMES, April 3, 1989, p. A13)

Lee comes from the city of Fuzhou in southern China and has a wife and two sons there. When his wife became pregnant with their second child, they came under heavy pressure to submit to an abortion. The authorities levied a heavy fine, and fired Lee from his job as a carpenter. They also cut off the water and electricity to the Lees' home, as well as their food supply. Unable to live at their own home, Lee and his wife each went to their parents' home. After the baby was born, this punishment continued for six months, in part because Lee refused sterilization.

As the Lee case demonstrates, unapproved births of second children do occur, mainly by a means called "childbirth on the run." Women who are pregnant with "illegal" children go to live with relatives in distant villages or towns. Away from their native place, they are

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often able to escape detection by the local authorities. Only after they have actually given birth do they dare return home. This is because abortions are performed in China up to the very time of parturition. As the child descends headfirst in the birth canal, it is given an injection of formaldehyde or alcohol into the fontanel, or soft spot, causing instantaneous death.

Both Lee and his wife are Catholics, and opposed sterlization and abortion on religious grounds. When Lee's wife became pregnant with their third child, he became desperate to leave China. He knew that he would go to jail for one year and be fined $3,000 for the third pregnancy if it continued to term. After he left China, his wife was forced to obtain an abortion at the insistence of a local government official in the fifth month of pregnancy.

The fines faced by the Lees are by no means unusual. Couples who succeed in bringing such "illegal" children into the world are typically subject to fines equivalent to one to several years income. In addition to a one-time fine, a family will also face monthly penalties for having a second child without permission. Such fines are intended to deter, not merely dissuade, young couples from having children outside the plan.

Citing the Meese guideline, an asylum judge on February 2nd granted Mr. Lee political asylum, stating that "local officials were carrying out [a policy of forced abortions], and the government was unwilling or unable to control them."

As the NEW YORK TIMES editorialized on April 3, 1989:

> Mr. Lee has a compelling case. Under the 1980 Refugee Act, foreigners are entitled to permanent sanctuary if they can demonstrate "a well-founded fear of persecution" based on race, religion, nationality, membership in a particular social group or political opinion. Forced abortion may not fit these categories neatly but it violates one of the most basic human rights. (p. A26)

THE UNFPA - CHINA CONNECTION

Peking is continuing a population control program which, despite its advertised "voluntarism," relies heavily on coercive abortion and coercive sterilization and the threat of same. The United Nations Fund for Population Acitivites, for its part, continues to support this program in word and deed.

For example, the UNFPA representative in Peking recently praised China's program. "China is actively working to set up a model of how social and economic factors can be harnessed in a harmonious way," he was quoted as saying. "The government has shown its full commitment to a family planning program that has been internationally acknowledge as one of the most successful efforts in the world today." (Peking, New China News Agency, July 11, 1987, FBIS-CHI-87-133, July 13, 1987, p. A1) Such comments call into serious doubt whether the UNFPA is capable of distinguishing between legitimate family planning, as defined by its charter, and coercive population control.

> It is not consonant with America's commitment to human rights to support, directly or indirectly, a Chinese program that not only violates the right of couples to decide for themselves the number and spacing of their children, but also the right of women to control their own bodies. To resume AID funding to the UNFPA at a time when that organization has not shown the slightest intention to distance itself from the coercive abortion and sterilization practices of what is one of its largest grant recipents would be a mistake. It would send the message to the world that America cares little about violations of human rights in population control programs.

STATEMENT OF WERNER FORNOS

Senator HARKIN. Next is Werner Fornos, president, Population Institute.

Mr. FORNOS. Thank you, Senator Harkin, for the privilege of appearing before your committee and for your past leadership in trying to bring rational, humane, and voluntary family planning policies to the people of the world. Both when you were in the House and in the Senate you have continued to understand the inter-relationship that this serious problem poses for the world's people, and we are very proud of your leadership.

Let me just ask that the testimony that I have submitted be included in the record at this point, and I would like to just discuss some of the issues that came before us here this afternoon.

Sadly, the issue of abortion has spilled over into the population field and it blackens public policy debate over family planning and population measures. At worse, it reduces chances for world peace because as we look at the population of the world growing by 90 million people last year, we are now at 5.2 billion, and fully 90 nations are doubling their population in the next 30 years. Some of those nations are critical.

In the hearing today, we talked about Turkey. Turkey today has 55.4 million people, doubling in the next 30 years to 110 million people.

We are talking about the Philippines here today. In 1950, Mr. Chairman, there were 20 million Philippinos. Today there are 58 million, and they are climbing to 110 million just in the next 24 years at current growth rates. To talk about an $11 billion bailout in foreign aid for the Philippines if they cannot halt this massive and exploding population growth will be like putting water into the proverbial bucket with a hole in it. The chances for improvement in the quality of life will continue to deteriorate.

The disharmony that we see in our own country over the abortion debate hides a very important fact, the fact that today there are 60 million abortions in the world. In 1931, there were 30 million abortions. It is an awesome potent statement for the demand for family planning when you realize that 33 million of those were legal; the remainder were all illegal abortions in countries where women had no opportunity other than to carry an unwanted pregnancy because they did not have rational and voluntary family planning available to them.

I think that the people who are opposed to women's right to make this choice for themselves ought to be in the front lines of making family planning available, and they ought to be supporting the requests that some 30 Senators have asked for to increase international population assistance to $500 million in 1990, $540 million in 1991, and $580 million in 1992.

Obviously, funding is scarce, but disaster relief will take on massive proportions if we do not help the 500 million in the Third World who today want no more children, most of whom did not want their last child and have very little opportunity to have either access to information and education and the means to control their own fertility.

Let me just turn for a moment to the U.N. Fund for Population Assistance. When we dealt with the PLO we wrote a provision into the Foreign Assistance Act that says that none of these funds may be used in support of Palestine Liberation Organization activities. I think that the red herring of the debate over China's population policy is ill-founded from the standpoint that no U.S. money has ever gone to China.

Jean Kirkpatrick worked out with the late Raphael Salas in 1985 a segregated account agreement that said that the United States could come in and audit at any time the U.S. contribution to the UNFPA to make sure that those funds were used in Africa and Latin America and not in the Chinese program.

So to continue the debate of what the policies are in China and to cut off 140 other nations from the participation of U.S. support and U.S. leadership is a reprehensible retreat from reality.

It is interesting that Mr. Mosher talks about the abortion issue, and I do for one moment want to talk about the Chinese story that he just told us, that if a woman in China has her second child she is forcibly sterilized. The 1987 figures in China show that 19 percent of reproductive age couples who had pregnancies this year had the first child, 21 percent had two children, and 60 percent had more than two. If this massive and wanton sterilization is indeed going on in China, I wonder how in the world they are able to conceive after they have been forcibly sterilized.

PREPARED STATEMENT

We need to make some sense out of these issues, and the best way to get on with solving the population problem is to remove the China situation from the picture, prohibit U.S. funds from going to China, which is already the case, and then go on with helping the people of Africa, Latin America, and the other countries in the world who desperately need our assistance with family planning aid requests being at an all-time high.

Thank you very much, Mr. Chairman.

Senator HARKIN. Thank you all very much.

[The statement follows:]

STATEMENT OF WERNER FORNOS

Mr. Chairman, I am Werner Fornos, president of the Population Institute. The Institute is a Washington-based nonprofit organization seeking a more equitable balance between the world's population, its resources and its environment.

We have identified more than 80,000 volunteers and donors who feel there can be no real progress toward development in the poorest nations of the world unless the people of these countries are able to determine the size and spacing of their families.

Our major concern today is the astonishing turnaround over the past eight years with regard to United States government policy on international population assistance.

Prior to the beginning of this decade, every occupant of the White House ---Republican and Democrat, liberal and conservative--- from Lyndon Johnson to Jimmy Carter was supportive of initiatives to reduce fertility in the developing world, where virtually all global population growth occurs.

However, the Reagan Administration changed that course. First, it attempted to eliminate the international population account. When that ploy failed, its bizarre fall-back position was to embrace a concept held by the Eastern European communist bloc in the 1970s: that population growth is not a factor in development.

It is interesting to note that the communist bloc has long since abandoned that line of thinking. There is, in fact, a preponderance of evidence rather clearly demonstrating that rapid population growth causes or exacerbates poverty in the Third World.

The only arguments against this thesis come from those who believe it is a mere coincidence that the per capita gross national product in the industrialized world, where population will not double for another 120 years, is $10,700, while the per capita GNP in the developing world, where population is projected to double in only 33 years, is a mere $780.

But for the past five years such minds have indeed guided the United States' international population assistance policy.

Meanwhile, man has already destroyed more than 40 percent of the world's tropical forests, which contain half the species of plants and animals on earth and which critically influence weather patterns.

Of the six million square miles of rainforest remaining in the world, it is estimated that only two million will be left by the end of this century. In Brazil alone, seven million acres are burned annually so the land can be used for subsistence farming.

At the same time, while one ton of fossil fuel was used per person in 1950, it is now up to two tons per person. Once China and India, the world's two most populous countries, begin large-scale coal burning to fuel industrialization, it is estimated that worldwide carbon dioxide emission will increase 500 percent. Carbon dioxide is the most common greenhouse gas, which traps the earth's heat and, many experts believe, is gradually warming our climate with potentially disastrous consequences.

Some years ago Robert S. McNamara, then President of the World Bank, pointed out that time lost in reducing global population growth can never be recovered. What has happened, or not happened, over the past five years or so, demonstrates the validity of that statement. Population growth cannot be simply placed on hold and returned to at a later, more convenient date.

In 1984 the Population Institute prepared the first projections for the cost of reaching world population stabilization at the earliest possible date. When that study was prepared, it would have been theoretically possible --- though perhaps not very probable --- for global population to be contained at a figure well below eight billion. But it would have required a substantial increase in international population assistance. And, of course, that did not happen.

As a matter of fact, population assistance was slashed by $90 million during the Reagan years. In addition, the Reagan Administration virtually withdrew United States funding of the International Planned Parenthood Federation, the largest private voluntary organization providing family planning services to the Third World. Then it cut off all funding to the United Nations Population Fund, the largest multilateral organization providing such services.

As the result of this sharp decline in U.S. government commitment to solving the global population problem, only a few of us perennial optimists believe our human numbers can still be leveled off at eight billion. I suppose those of us who do find rays of hope in Congress' track record of coming up with miracles during emergencies. Somehow federal money has been found to bail out the Chrysler Corporation and even the City of New York and I suspect it will be found to bail out the savings and loan industry and to clean up nuclear dumps.

But there are less optimistic experts who are convinced world population will forge ahead to at least 10 billion within only 40 years. And, with the fertility momentum of the next generation, when three billion persons ---an amount equivalent to the total world population of 1960--- reach their reproductive years, stabilization may not be achieved until our planet's inhabitants number at least 14 billion.

Environmental experts have expressed grave doubt that the earth's carrying capacity can sustain another doubling of global population. They point to such indicators as the greenhouse effect, deterioration of the ozone layer, acid rain and dwindling resources. Agricultural experts have expressed deep doubt that the world can double current food production within only 40 years.

Mr. Chairman, I appear before you today understanding that the Administration is recommending maintaining international population assistance at its current level. But the current population assistance spending level of $200 million is far too low. If this panel believes it is important to keep global population at manageable proportions through voluntary means, it must take the next step. That would be to accept the United States' fair share of the global population assistance necessary if our human numbers are to be stabilized below 10 billion. This can be accomplished by starting with a budget of $500 million in fiscal year 1990, raising it to $540 million in fiscal 1991, and to $580 million in fiscal 1992.

As a former state legislator who has had to pare and prune budgets ---albeit on a somewhat smaller scale--- I know this subcommittee's initial reaction to my proposal most likely will be: where does he think we are going to find the money for a $300 million increase in population assistance? When I was a lawmaker, I asked such questions often enough myself.

Many of us in the development field have suggested that the money for worthwhile humanitarian endeavors can be found in a bloated defense budget and I quite agree with them. But there are also some other places, some of them right under our noses.

For instance, a number of the best minds on foreign policy matters conclude that economic assistance is wasted on countries that neglect their rapid population growth problems. I respectfully propose that we call a halt to this kind of waste. We might start by looking at some specific programs, beginning with the economic package for the Philippines, where there has been recently demonstrated a diminishing commitment to family planning programs. And you might also want to look at Egypt and some of the countries in the Central American region.

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This may be a bold gambit, Mr. Chairman, but it is a serious proposal.

While the countries and regions I have mentioned are deemed to have strategie significance for the United States, I submit that rapid population growth will ---in each case--- devour all opportunities each may have to achieve stability and security. And at that point, what significance will they have for the United States?

Finally, Mr. Chairman, I strongly urge that, whatever budget figure this subcommittee adopts, serious consideration be given to restoring the annual United States contribution to the United Nations Population Fund.

World population stabilization cannot and will not be achieved within the foreseeable future if it is attempted in patchwork fashion. There must be coordination of the assistance provided bilaterally, multilaterally and by private voluntary organizations. And there must be cooperation between all agencies involved. The problem is too great, the consequences too severe for anything less.

I understand the concern of members of this panel and the rest of the United States Congress with regard to charges of forced abortions in China. The government of China and the United Nations Population Fund have responded repeatedly to those charges and I would only ask that you give those responses as much consideration as you give the allegations.

The United Nations has entered into a new population program agreement with the People's Republic of China ---one which involves contraceptive technology and the manufacturing of contraceptives, and, in conjunction with UNICEF, maternal and child health care. The United States was the only nation to object to this agreement.

Those of us concerned with abortion ---coercive or voluntary---surely must recognize that the first line of defense against abortion is safe, effective and efficient, voluntary family planning. From my experience working with and observing the activities of the United Nations Population Fund, that is exactly what this agency is all about. If the United States government is sincere in its stated wish to reduce abortion worldwide, why would it protest U.N. funding of a contraceptive manufacturing program?

To further demonstrate my concerns about our government's attitude towards international family planning, I would refer you to the recent AID publication, Development and the National Interest: U.S. Economic Assistance in the 21st Century. That document makes it crystal clear that the United States government does not recognize population growth to be a real problem at all. Or, at least, not one the U.S. government should be overly concerned about.

Mr. Chairman, there are members of this subcommittee no doubt who feel I am asking for a great deal today. But in the final analysis, all I am really asking for is an opportunity for people the world over to fulfill their aspirations for a better quality of life. I thank you and the subcommittee for granting me this time to speak on their behalf.

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FAMILY PLANNING

Senator **Harkin**. Mr. Harvey, your organization, Population Services International, the organization you are here representing, is involved with family planning and providing contraceptive information. I assume contraceptive devices?

Mr. **Harvey**. Yes.

Senator **Harkin**. In how many countries?

Mr. **Harvey**. Five countries at the present time.

Senator **Harkin**. So you are not really involved in abortion. You are more involved in family planning and providing contraceptive services?

Mr. **Harvey**. That is absolutely right. In fact, the size and general effectiveness of these programs reaching as they do, the ones we supervise, 2 million couples with full contraceptive protection throughout the year, each year, prevent a very substantial number of abortions that could be thought of as an abortion prevention program, if you like.

Senator **Harkin**. I did not understand. When you said full contraception protection can be provided to one couple per year for about $7, but you say AID's cost are between $20 and $50 per couple, I do not understand that.

Mr. **Harvey**. The average cost, as I am best able to calculate it, for all U.S. funded programs through AID is about $14 or $15 per CYP. There are several individual programs that go up as far as $20 or $40 or $50 per CYP. Those are programs that I believe should be improved.

Senator **Harkin**. Why does it cost more than what you are doing? Is it just because of bad management? Is that what you are saying?

Mr. **Harvey**. I think it has to do with the selection and design of programs. They are not as good as they should be, yes, sir.

Senator **Harkin**. Do you have a comment on that, Mr. Fornos?

Mr. **Fornos**. I think you also have to realize, Senator, that it also includes sterilization services in hospital settings both of laparoscopy and vasectomy. Those costs, when they are averaged out with pill users, obviously bring the cost a little higher. I mean, there is greater efficiency in the programs, but I do not want you to feel that with close to 100 million women now choosing sterilization as the means of protecting themselves against unwanted pregnancy, costs obviously will climb when those medical services are included.

Senator **Harkin**. What are the full panoply of services that the Population Services International provide, Mr. Harvey?

Mr. **Harvey**. They are primarily contraceptive social marketing programs; that is, programs which make contraceptives available through commercial retailing and wholesaling sectors to get beyond the health service delivery networks of developing countries so that we can reach beyond the cities and into the countryside where the people live.

Senator **Harkin**. Let me ask the other individuals, Mr. Johnson and Mr. Anderson. Assuming the Mexico City policy and the other language stays in—the language that prevents this money from being used for abortions—are you supportive of the AID program for contraceptive services or not?

Mr. **Johnson**. We have no position on the underlying programs so long as funds are not being used to support organizations that promote abortion. So we have never, for example, taken a position on what the funding level should be so long as the abortion restrictions are in place.

Senator **Harkin**. Mr. Anderson, what is your position, assuming that the language stays in place?

Mr. **Anderson**. If the language stays in place, that is absolutely necessary. In some other subject areas we would have real concerns; for example, the utilization of natural family planning as a very effective method in the Third World.

We also have concerns regarding informed consent of couples in the Third World regarding processes such as sterilization. We take a look at the United States with the very high educated public. Yet, we have very detailed regulations at HHS regarding informed consent for sterilization.

We believe that there is a significant problem of informed consent in such devices overseas.

We also have concerns about the marketing of drugs which we think are seriously dangerous, such as Depoprivera and in the past the Dalkon Shield.

So we think the Mexico City policy is absolutely essential. If we were to hold that, we would also have other concerns regarding some of the items I have just mentioned.

Senator **Harkin**. Do you have anything else, Mr. Harvey, on this?

Mr. **Harvey**. I have just one point of clarification, Senator Harkin. The programs that I was describing as being relatively very cost efficient are not sterilization programs. On the other hand, the sterilization programs to which Mr. Fornos alluded are also quite cost effective because they prevent pregnancies over very long periods of time.

So both social marketing of over-the-counter contraceptives and sterilization programs are among the most cost effective which the U.S. funds.

Senator **Harkin**. Mr. Anderson, I cannot help but remark on one thing in your testimony here. You said, quoting from your testimony, "In fact, the new school of demographic economics has shown that the entire population of the world right now could fit into the State of Texas with elbow room. People are not the problem."

I do not know where that new school of demographic economics is, but the idea of 5 billion people living in Texas, surely you jest. Just from a concept, I suppose you could pile that many people in, but you really do not want to impress upon me or anyone else that this is a viable alternative.

Mr. **Anderson**. No; not really.

Senator **Harkin**. Fine. I just wanted that clarified.

Mr. **Anderson**. I think it is illustrative, Senator, of a point that other world-known demographers such as Colin Clark maintain, which is that on a Japanese level of subsistence diet the world could support, for example, 105 billion people. That is not to say we need 105 billion people.

Senator **Harkin**. That is not to say what?

Mr. **Anderson**. That is not to say necessarily we need 105 billion people, but it is to point out the fact that in many countries which have sustained an increased standard of living they have also sustained an increased population growth. So it does not necessarily mean that an increase in population means a decline in standard of living.

Senator **Harkin**. Well, I guess you look at the other thing. It is just the whole greenhouse effect, the global warming, all of the other attendant things that come along with 105 billion people; the use of resources, the cutting of the rainforest, just the use of all of the resources that the globe can provide aside from whether or not we can get the food for them, raise the food.

I just think that when you start talking about things like that, we have to think about the whole global effect of that many people and what it would mean in terms of the impact upon the global environment and what would happen to whether or not we even have the sustenance to maintain the life for anybody else on the planet or whether the whole thing might collapse with that many people using that many resources.

I have no doubt you could raise that much food, but what do you do with all the sewage, for example? I mean like all the other things that attend to human beings living on this planet?

I just wanted to point that out.

Is there anything else anybody has? If not, I am going to go off and vote. Thank you all very much.

SUBCOMMITTEE RECESS

The subcommittee will now stand in recess until 4 p.m., on Monday, July 24, when we will meet to continue our nondepartmental witness hearings.

[Whereupon, at 5:05 p.m., Tuesday, July 11, the subcommittee was recessed, to reconvene at 4 p.m., Monday, July 24.]

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1990

MONDAY, JULY 24, 1989

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 4:12 p.m., in room SD-138, Dirksen Senate Office Building, Hon. Frank R. Lautenberg presiding.

Present: Senator Lautenberg.

NONDEPARTMENTAL WITNESSES

OPENING STATEMENT OF SENATOR LAUTENBERG

Senator LAUTENBERG. With apologies for the delay without reasonable excuses thereof, I am late, and I am sorry. We look forward to hearing from all of you. Because of the volume of testimony that we are going to hear today, we are compelled to impose a fairly rigid rule on the amount of time allocated for the verbal side of these things, and that is only 4 minutes per person.

Now, we have your full written testimony which, of course, will be in the record. Obviously in the role that I have, I am a politician, and fortunately I do not have to make my comments in 4 minutes because it is impossible for a politician. But those of you who have those special skills we know are going to be able to do it, and I am going to have to be very strict about that only because we just have so many people who have valuable information to provide. So, I invite the first panel to the witness table.

STATEMENT OF LORI UDALL, STAFF ATTORNEY, ENVIRONMENTAL DEFENSE FUND, NATIONAL WILDLIFE FEDERATION AND ENVIRONMENTAL POLICY INSTITUTE, WASHINGTON, DC

Senator LAUTENBERG. Lori Udall, Frances Spivy-Weber, Tom Stoel, and Ms. Elmira Nazombe. Would you please, Ms. Udall, start and when you see the red light, that does not mean like other traffic lights that you keep going faster. It means you have to stop.

Ms. UDALL. Thank you for the opportunity to testify before the Subcommittee on Foreign Operations. I am Lori Udall, staff attorney in the International Program at Environmental Defense Fund. I am testifying today on behalf of EDF, the National Wildlife Federation, the Environmental Policy Institute, and the Sierra Club.

In over 100 developing countries, the MDB's are the single most important institutions financing and influencing activities and policies that affect the fate of tropical rain forests, energy policy, and fossil fuel emissions and a host of other economic activities with cumulative impacts that are increasingly global. But the Multilateral Development Banks [MDB's] are still largely——

Senator **Lautenberg**. Would you bring that mike close. We want to hear what you say even though it is in rapid form.

Ms. **Udall**. The MDB's are still largely avoiding any serious efforts to incorporate into the decisionmaking process the global environmental effects of their policies and projects. They urgently need to work more closely and systematically with organizations in developing countries representing local populations that are trying to conserve resources and land.

Although one can point to individual instances of progress, in too many projects the MDB's are still not enforcing their own environmental guidelines, policies, and loan conditions. Particularly urgent is the question of forced resettlement caused by World Bank-funded infrastructure projects where the World Bank has continually failed to enforce its own policies.

One of the most controversial projects involving forest resettlement is the Sardar Sarovar Dam in India which the bank has been funding since 1985. The World Bank should immediately suspend disbursements for the Sardar Sarovar Dam because of systematic and blatant disregard by the Indian Government involving the most elemental conditions and guidelines concerning the resettlement of 90,000 rural poor who will be displaced by the dam. Full details on Sardar Sarovar and several other projects with adverse impacts in Indonesia, India, and Brazil are in my written statement.

Starting in 1985, this subcommittee annually has enacted path breaking legislation which has been critical in spurring the MDB's to environmental reform. We do not think at this time that there is a need for totally new legislation. For the most part, we think the subcommittee should reemphasize and further promote measures in past legislation where the MDB's have much more work to do and, to be quite frank, in some areas have done virtually nothing.

Let me review the priorities. First, environmental staffing. In the case of the World Bank, the environmental assessment unit should be strengthened in terms of both staff, administrative authority, and budget. The central environmental department has not been very effective. Its activities need to be connected to and have more influence on the bank's operations.

We have emphasized the great need of the Inter-American Development Bank to create an environmental division with 20–25 staffers. This is also a need for the African and Asian Development Banks.

Second, involvement of nongovernmental organizations [NGO's] in borrowing countries. Time and again we encounter examples of MDB debacles that could have easily been avoided if bank officials and local borrowing agencies had bothered to consult with and involve local environmental and social organizations representing communities affected by projects at an early stage.

We have concluded that reforming MDB operations to regularly involve local NGO's and community groups is the single most important reform in whose absence U.S. MDB appropriations will continue to finance activities that are ecologically, socially, and economically unsound.

We urge the subcommittee to convey to Treasury that promoting sweeping reforms in the way that MDB's deal with NGO's and local communities and freedom of access to information on ecological and social aspects of projects should be the Treasury's No. 1 priority.

Third, global climate change and energy efficiency, my colleague, Tom Stoel, will address that particular issue.

Fourth, on the issue of debt reduction and conservation of endangered resources, the subcommittee has been an active promoter of debt-for-nature swaps. Now we are at a critical juncture in the debt crisis where the World Bank and the IMF will be major facilitators of debt relief for developing nations.

In all likelihood the debt relief will be granted to developing countries in exchange for domestic economic policy measures similar to those that have accompanied World Bank and IMF adjustment and stabilization programs in the past. These measures can increase pressure to overexploit the environment.

We believe it is critical that the Brady Plan be accompanied by measures that incorporate the legislative directives of the Congress over the past 2 years linking sustainable management of the environment to structural adjustment lending and to debt relief.

Additionally, we believe that debt reduction guaranteed by the World Bank and the IMF must be accompanied by incentives and conditions that spur developing countries to use part of the debt relief for desperately needed domestic, environmental, and social investments.

More than ever before the events of the past year have brought home to the American public the seriousness of global environmental problems and the common interest we all share in the fate of tropical forests, promoting energy efficiency to reduce greenhouse emissions, supporting nongovernment groups like the rubber tappers in Brazil, struggling to conserve resources that are of benefit to the whole globe, and reducing the intolerable burden of Third World debt.

PREPARED STATEMENT

The MDB's are at the cutting edge of all these issues and the success with which we tackle these critical global environmental challenges is linked largely to our success in making the public, international financial institutions more responsible to local and global ecological needs.

[The statement follows:]

STATEMENT OF LORI UDALL

I. Introduction

Mr. Chairman, thank you for the opportunity to testify today before the Subcommittee on Foreign Operations. I am Lori Udall, staff attorney in the International Program at Environmental Defense Fund (EDF). I am testifying today on behalf of EDF, the National Wildlife Federation (NWF), and the Environmental Policy Institute (EPI).

In over a hundred developing countries the MDBs are the single most important institutions financing and influencing activities and policies that affect the fate of tropical forests, energy policy and fossil fuel emissions, and a host of other economic activities with cumulative impacts that are increasingly global. But the MDBs are still largely avoiding any serious effort to incorporate into their decision making the global environmental effects of their policies and projects. They urgently need to work more closely and systematically with organizations and groups in the developing countries representing local populations that are trying to conserve resources and land. Although one can point to individual instances of progress, in too many projects the MDBs still are not enforcing their own environmental guidelines, policies and loan conditions. A particularly urgent issue is the question of forced resettlement of populations caused by World Bank funded infrastructure projects. There are several instances in India, Indonesia and Brazil where populations have undertaken, or are on the verge of, mass civil disobedience to protest years of neglect in dealing with resettlement by borrowing governments and the World Bank.

We think it is difficult to justify to the U.S. taxpayer--at least to the members and supporters of our organizations--continued increases in MDB appropriations if the Treasury cannot demonstrate a much better environmental record in these institutions. Our support for the levels of MDBs appropriations the Administration is requesting is conditional then on a much more vigorous approach to promoting environmental reform in these institutions, particularly in critical areas such as energy policy and efficiency, halting deforestation, more effective and increased environmental staffing, and systematic participation of non-governmental organizations and groups in the developing countries.

There are two new areas where we hope the Subcommittee can play the leadership role it has assumed in the past. First, we believe it is essential that the Subcommittee try to ensure that debt relief initiatives that the MDBs and IMF will be supporting under the Brady plan be linked to incentives for indebted nations to conserve endangered environmental resources. Our organizations are convinced that intolerable levels of Third World debt are the single greatest threat to the global environment as well as to the global economy. Second, we think the time is long overdue to promote within the International Monetary Fund attention to the environmental and social consequences of its activities.

II. Environmental Progress of the World Bank and IDB

A. The World Bank

1. Institutional constraints on the Bank's environmental staff

It is now nearly two years since the World Bank announced sweeping environmental reforms. Yet the heart of these reforms--increased environmental staffing to better implement Bank environmental policies--has been hampered by deep seated institutional problems. The Bank's general reorganization in 1987--88 gave much more autonomy and authority to the operations regions and country directors; as a result, the central environment department appears to be mostly marginalized from operations staff and after two years has had relatively little impact on the bank's lending priorities and projects. The environmental assessment units are institutionally placed so that they could be effective, but they have not been given sufficient budget nor authority to assure essential ecological design changes in

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projects, except at the request of the project officers and country directors. The Bank must find a way to create strong career incentives for environmental quality in projects, as opposed to recycling larger and larger amounts of money to heavily indebted countries to bolster their foreign exchange balances in time for quarterly payments to private international banks.

These chronic institutional flaws in the Bank's environmental review process leave the institution with what is still a completely unsatisfactory environmental record in its ongoing operations: for every case where there appear to be promising changes, we can identify two or three ecological and social debacles of equal or greater scale where the Bank refuses to act even when apprised of the facts.

2. Continued ecological and social debacles in many programs

a. Brazil: In ongoing loans for Polonoroeste and Power Sector I (totalling nearly a billion dollars), loan conditions intended to ensure environmentally protected areas and the integrity of Indian reserves are not being complied with. The situation in Polonoroeste is a shambles, with numerous biological reserves, protected forest areas and Indian reserves suffering from illegal logging, mining and agricultural squatters. The public health situation of the Indians requires emergency measures. The Bank is preparing a new Polonoroeste Loan to support the ecological zoning and agricultural consolidation of the entire state of Rondonia. Unless the Bank consults with and involves local affected populations much more systematically than in past, the viability of the whole program will be undermined.

In the Brazilian power sector 25 dams identified in the Plan 2010 are currently under construction and, according to the provisions of the Environmental Master Plan which was a condition of the First Power Sector Loan, require publicly approved resettlement plans, protection of affected Indian lands, and environmental assessments. There are serious attempts to meet these requirements so far in no more than five of these projects. These 25 dams alone will flood an area the size of Connecticut and displace 91,000 people. Lack of consultation with affected populations has led to mass protests over proposed dams in the power sector investment plan that the World Bank helped support in its first power sector loan. For example, there have been protests over the last year by populations affected by the Machadinho dam in South Brazil and over a series of proposed dams on the Xingu River in the Amazon.

A series of more than two dozen pig iron smelters in the Legal Project Area of the Bank financed Carajas Iron Mine and Railroad threatens deforestation of 58,000 square miles--an area half the size of Colorado--and bigger than Pennsylvania--over the next 20 years. Although disbursements are completed, the Bank must use its influence through other proposed loans to Brazil to stop what is an uncontested violation of the spirit, and probably of the letter, of its loan agreement for Carajas.

b. India and Indonesia: The World Bank should suspend and if necessary cancel undisbursed loans for the Sardar Sarovar dam in India for systematic and blatant disregard by the Indian state governments involved of the most elemental conditions and guidelines concerning the resettlement of 90,000 rural poor who will be displaced by the dam. In 1985 the Bank approved two credits and a loan totalling $450 million for the Sardar Sarovar dam on the Narmada River in India. After four years of inadequate resettlement plans, no access to information, lack of consultation of local communities to be displaced, and incomplete environmental impact studies, NGOs representing a majority of the prospective population to be displaced have now declared their unequivocal opposition to the dam and refusal to move.

In Indonesia, a total lack of consultation and communication with more than 20,000 people who were forcibly displaced by the Bank financed ($156 million) Kedung Ombo dam in Java caused a scandalous crisis. This population endured extraordinary coercion and intimidation by the Indonesian Government over the past four years in an attempt to force them to migrate to Transmigration sites in Indonesia's outer islands (Transmigration has also received more than $600 million of Bank support over the past 15 years.) The Bank accepted up to last year, without independent verification or monitoring, the government's assertion that most of the population was spontaneously volunteering to be sent to Transmigration sites--in spite of numerous newspaper articles and protests of Indonesian NGOs asserting the contrary, some dating back at least to 1987. Although a World Bank staff member verified the NGO account of the situation in a visit to Indonesia last year, still the Bank took no actions to remedy the plight of the families that were refusing to move from the site of the reservoir at Kedung Ombo. The reservoir started filling on January 16th with more than 6000 people still living on the reservoir site. As the waters have risen many are now living in makeshift shelters in surrounding forest areas, and their health and safety is a matter of great concern for Indonesian non-governmental and community groups. (More details about all of the above projects are in the attached appendix).

B. The Inter-American Development Bank

It is critical that the Subcommittee devote special scrutiny to the IDB this year, since the Administration has just concluded negotiations for the largest capital increase in the bank's history. In fact, the increase will enable the Bank to lend $22.5 billion over the next four years, more than double the amount it loaned in the same period ending last year. If major institutional changes are not made, the conflict between increased pressure to lend and environmental quality in the IDB will be even more acute than in the World Bank. The Subcommittee should insist that the following crucial reforms are in place prior to approving increased appropriations for the IDB:

1. The need for an adequately staffed environmental division: The main problem is that although the Bank has undertaken laudatory initiatives in several projects, its current professional environmental staff (three positions--of which one is currently vacant) is so small that effective review, monitoring and supervision of projects is impossible. We believe that the solution is the creation of a separate environmental division with sufficient staff to systematically assess and monitor the Bank's loan portfolio for environmental questions.

2. Lack of policies and guidelines in critical areas: While the IDB has had an environmental Operational Policy in place since 1979, mandatory operational standards on other critical environmental and social issues encountered in IDB projects do not exist such as policies on treatment of indigenous peoples, and forced resettlement. Putting into place such policies is necessary to help guide the bank's project lending, and will be critical for the bank's sector lending. The bank's limited environmental staff and lack of policy guidelines on critical issues virtually guarantees that an unacceptable number of projects will be ecological and social debacles.

3. The IDB and NGOs: As in the case of the World Bank, many of the operational problems and challenges facing the IDB with respect to the environment could be overcome if the bank improved its relations with non-governmental and community organizations in borrowing countries. A number of groups from both the developing and developed world summarized needed changes in a declaration they prepared in Amsterdam at the IDB's 1989 annual meeting: "Increasing the participation of local communities and NGOs in the selection, design and implementation of development projects is the best way of ensuring that the projects are economically and ecologically feasible. Providing information to the public on the social and environmental aspects of projects, early in the project cycle, will be an integral part of this process." (See Appendix, Attachment 1)

III. Existing Legislation and Needed Environmental Reforms

Starting in 1985, this Subcommittee has annually enacted pathbreaking legislation which has been critical in spurring the MDBs to environmental reform. Last year, some measures in past Appropriations legislation was finally incorporated into MDB authorizing acts.

We do not think that there is a need for totally new legislation. For the most part, we think the Subcommittee should re-emphasize and further promote measures in past legislation where the MDBs clearly have much more work to do, or quite frankly have done virtually nothing.

Let me review these priorities:

A. Increased Environmental staffing: In the case of the World Bank, the environmental assessment units should be strengthened in terms of both staff, administrative authority and budget. The central environment department has not been very effective; its activities need to be connected to, and have more influence on the Bank's operations. Some of its staff and resources might be redirected towards strengthening the regional environmental assessment units.

We have emphasized the great need of the IDB to create an environmental division with 20--25 staffers, but the Asian and African Development Banks have a similar need. The ADB recently announced the upgrading of its environmental unit into a division, but it remains to be seen whether the current environmental staff of three will be expanded. The African Development Bank similarly has only two professional environmental staffers plus a specialist that is on loan from U.S.A.I.D.

B. Involvement of NGOs in Borrowing Countries: Time and time again we encounter examples of MDB debacles that could have been easily avoided if bank officials and local borrowing agencies had bothered to consult with, and involve local environmental and social organizations and groups representing communities affected by projects at an early stage. We have concluded that reforming MDB operations to regularly involve local NGOs and community groups is the single most important reform, in whose absence U.S. MDB appropriations will continue to finance activities that are ecologically, socially and economically unsound. We urge the Subcommittee to convey to the Treasury that promoting sweeping reforms in the way the MDBs deal with NGOs and freedom of access to information on ecological and social aspects of projects--in short a kind of glasnost--should be the Treasury's number one environmental priority in FY 1990.

C. Global Climate Change and Energy Efficiency: The FY 1989 appropriations legislation and report language directed the Secretary of the Treasury to make the adoption by the MDBs of energy efficiency and conservation policies a priority. In conjunction with this directive, the legislation also instructed Treasury to "promote adoption of policies which minimize emissions of greenhouse gases."

The events of the past year such as unprecedented scientific attention focussed on the phenomenon of global warming caused by the greenhouse effect, have shown how timely and necessary this legislation was. Our review of current MDB energy policies reveals, however, that again a few indications of belated progress in this area are completely outweighed by an almost scandalous negligence of the economic and environmental benefits of investments in energy efficiency in the portfolios of the MDBs. Since energy has been traditionally either the biggest or second biggest lending area for the MDBs, it is urgent that the Subcommittee reiterate and press for the rapid implementation of the efficiency and conservation recommendations in last year's legislation.

Out of the 1988 World Bank energy sector portfolio of $2.4 billion, only $44 million -- less than 2% -- was for loans that included end-use efficiency as a component. Actual lending in support of conservation was therefore probably less than 1% of total sector lending. Similarly, the 1988 industrial sector portfolio of $2.2 billion included only $32.4 million in support of efficiency improvements -- approximately 1.5% of the sector portfolio.

D. Non-project, Adjustment Lending and Environmental Concerns: Past appropriations legislation and last year's authorizing bill called for incorporating environmental and natural resource concerns into World Bank structural and sector adjustment loans, which now account for 25% of Bank lending. The urgency for implementing this recommendation has increased, both because of the increased proportion of adjustment loans in the World Bank's portfolio and because the IDB is embarking on a major program of adjustment lending that, as part of the agreements reached during the capital increase negotiations, must be tied for the next two years to World Bank adjustment loans.

E. Debt Reduction and Conservation of Endangered Resources:

This Subcommittee has been an active promoter of proposals to involve the World Bank in debt for nature swaps. Now, we are at a critical juncture in the debt crisis, where under the Brady Plan, the World Bank and the IMF will be the major facilitators of debt relief for developing nations. The taxpayers of the U.S. and other major donor countries are being asked to support the Bank and the Fund in administrating and financially guaranteeing for private banks new debt instruments that will reduce the debt burden of key countries such as Brazil and Venezuela. In all likelihood, the debt relief will be granted to developing countries in exchange for domestic economic policy measures similar to those that have accompanied World Bank and IMF adjustment and stabilization programs in the past--designed to improve short term balance of payments and promote longer term export-oriented growth. These measures can increase pressures to over exploit the environment.

The members and supporters of EDF, NWF, and EPI whom I represent today believe it is critical that the Brady plan be accompanied by measures that incorporate the legislative directives of the Congress over the past two years linking sustainable management of the environment to structural adjustment lending and to debt relief. If this is not the case, debt relief provided by the Brady plan will contradict the whole thrust of the legislative measures concerning environment, debt and adjustment that the Appropriations Committees have introduced and passed in 1987 and 1988. Additionally, we believe that any debt reduction guaranteed by the World Bank and IMF must be accompanied by incentives and conditions that spur developing countries to use part of the debt relief for desperately needed domestic environmental and social investments.

IV. The International Monetary Fund and the Environment:

In recent years the overlap between IMF and World Bank activities has increased. To its credit, the World Bank has recognized that the macro-economic conditions accompanying structural and sector adjustment loans have profound implications for the environment in some cases--both negative and potentially positive (though it has yet to put these conclusions into practice). Consequently, the silence and complete absence of IMF concern about the environmental impact of its policies is increasingly difficult to understand. Worse, the IMF's inaction contradicts ongoing efforts of the World Bank in this area. The Bank's 1987 Development Committee paper forcefully argued that "promoting growth, alleviating poverty and protecting the environment are mutually supportive objectives in the long run"--indeed any one of these objectives cannot be realized without concurrent attention to the other two.

A separate hearing would be required to examine in detail the adverse environmental implications of IMF programs and we submit, Mr. Chairman, that the time is long overdue for the Congress and Treasury to examine the environmental implications of IMF policies and to promote environmental reforms in that institution analogous to the ones that have been identified for the MDBs. Representatives of several national environmental organizations, including EDF, NWF, and EPI have agreed on what we think are the most basic immediate reforms that are needed in the Fund: these include 1) the addition of natural resource experts and economists as well as poverty experts and development economists equipped to analyze the linkages between the short term impacts of Fund policy prescriptions and long term impacts on management of the environment and natural resources; and 2) the establishment of a systematic review process to incorporate measures to alleviate the projected adverse environmental and social impacts of Fund stabilization and adjustment programs.

We hope this year, Mr. Chairman, that you and the Subcommittee can take the lead in initiating environmental reform at the IMF, starting with legislation to promote the two critical measures I have just outlined.

V. Conclusion

Mr. Chairman, I realize this is an ambitious agenda, but it is the logical continuation of the initiatives on which this Subcommittee has been building since 1985. More then ever before, the events of the past year have brought home to the American public the seriousness of global environmental problems and the common interest we all share in the fate of the tropical forests, promoting energy efficiency to reduce greenhouse emissions, supporting non-governmental groups like the rubber tappers in Brazil who are struggling to conserve resources of benefit to the whole globe, and reducing the intolerable burden of Third World debt. The MDBs and IMF are at the cutting edge of all these issues. Our success in dealing with critical global environmental challenges is closely linked to the success with which we can make the public international financial institutions more responsive to local and global ecological needs.

Mr. Chairman, your personal commitment to ensuring the environmental sustainability of MDB activities is indispensable. We thank you for the Subcommittee's efforts over the last four years.

APPENDIX

CASE STUDIES OF MDB PROJECTS IN BRAZIL, INDONESIA AND INDIA

I. World Bank Projects in Brazil

Although the World Bank has made some strides towards environmental reform, in Brazil three of its lending programs continue to facilitate tropical deforestation and destruction of the livelihoods of indigenous peoples on a massive scale. These three programs are Polonoroeste, the Carajas Iron Ore Mine and Railroad project, and the lending to the Brazilian electric power sector (Power Sector Loans I). Loans that have been approved or are in preparation for these three programs total well over 1.5 billion dollars.

These three lending programs have all been the source of great international criticism and controversy for several years, and the Bank has gone to great lengths to emphasize the unprecedented degree of environmental conditionality that has been incorporated into some of these loans. At issue has not been the Bank's stated intentions--Polonoroeste itself was touted as an environmental model by Bank staff in the early 1980s--but the actual situation in the field where Bank loans are still directly supporting infrastructure, institutions and activities that are facilitating deforestation on a massive scale, despite environmental loan conditions and plans that the Bank claims are designed to prevent this. In already approved projects, the Bank is not ensuring that environmental and Indian lands protection conditions are carried out. Resources and staff time committed to monitoring and supervision have actually decreased. Brazilian NGOs and organizations representing local and indigenous people are denied access to information by the Bank's borrowing agencies and the Bank itself concerning projects that will directly affect them.

A. Polonoroeste

1. Continued problems in already approved loans

Between 1981 and 1985 the Bank approved six loans totalling $457 million for Polonoroeste, a gigantic road improvement and agricultural colonization scheme that has contributed to creating the highest rate of deforestation in the Brazilian Amazon in the state of Rondonia. Despite enormous international pressure, and the Bank's halting loan disbursements for several months in 1985 to pressure the Brazilian government into enforcing environmental and Indian

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lands protection agreements, the situation today in the Bank project area (the entire state of Rondonia and part of northern Mato Grosso state) is worse then ever. The Bank has some leverage in the situation, since some funds from the later loans remain to be disbursed and new loans are in preparation. The following situations are direct violations of the Polonoroeste loan conditions concerning protection of Indian lands and of the environment:--

--the original Polonoroeste loans supported the creation of three Biological reserves and a number of other environmentally protected ares: these areas continue to be systematically violated by illicit logging, land squatters and mining activities; for example, large scale invasions and illicit logging are currently taking place in the Guapore Biological Reserve in the vicinity of the near-by town of Isidrolandia;

--of some 70 Indian tribal areas in the state, only eight have been fully and legally demarcated; in 15 areas no measures to protect the Indians have been taken whatsoever; 27 areas are subject to illegal mining claims or authorizations;

--indiscriminate, illegal logging and mining operations are spreading at a rampant pace on numerous indigenous reserves, including the Uru-eu-wau-wau, Sete de Setembro and Roosevelt Indian Parks;

--a public health disaster exists in many indigenous reserves where epidemics of tuberculosis, measles, influenza and malaria are decimating the population; anthropologists visiting these areas in the summer of 1987 thought the situation required an emergency action plan of the Red Cross; since then the situation has only gotten worse; affected tribes include the Surui, Nambaquera and Uru-Eu-Wau-Wau;

--armed conflicts related to land disputes between illegal squatters and Indians are increasing; according to Brazilian press reports last October 13--14 at least one person died in a confrontation involving five tribes in the Zoro Indian reserve, where 143 squatter families have occupied 15 thousand hectares of the reserve;

--land fraud continues on a massive scale to establish large cattle ranches; moreover, large landowners are clearing enormous areas of rainforest as a means of demonstrating 'productive' land use to avoid expropriation for agrarian reform;

Clearly, before the Bank lends more money for Polonoroeste it should insist that the loan conditions for environmental Indian lands protection in its first loans be enforced. The Bank's main lever in promoting enforcement is halting loan disbursements and or delaying future loans until the conditions of past loans are complied with. Moreover, the Bank needs to increase its supervision and monitoring of Polonoroeste--the last supervision mission took place in the summer of 1987. In addition, the agreement has elapse between the Bank and the independent Brazilian monitoring institution that previously ensured a minimum flow of information on field conditions in Polonoroeste. (This institution is FIPE--the Foundation for Economic Investigation and Research of the University of Sao Paulo)

2. New Loans in Preparation for Polonoroeste

Although the environmental, Indian lands protection and public health situation associated with the Bank's already approved loans for Polonoroeste is in a shambles, the Bank is preparing $350 million in new loans for the area: $150 million for public health measures, and $200 million for agricultural consolidation (this loan is being rebaptized as an "environmental and natural resources management" project). In principle, most environmental and indigenous peoples rights groups agree with the Bank that at this point it has a duty to attempt to improve the situation in Rondonia; the problem is that the agicultural loan may have serious design flaws that will repeat the same mistakes of earlier Polonoroeste loans. Moreover, it is highly questionable to lend more money to Brazilian government institutions that are systematically violating the conditions of existing loans until they clean up their act.

--the Agricultural Consolidation (Natural Resources Management) Loan

The Bank is currently preparing a $200 million loan for agricultural consolidation of Polonoroeste. The loan mainly provides for the preparation and implementation of an 'argo-ecological' zoning and development plan for the entire state of Rondonia, known by its Brazilian acronym as PLANAFLORO. The plan would create some 6 different land use zones for Rondonia, based on the ecological and soil characteristics of each zone. Land use zones include areas of agricultural colonization (the main Polonoroeste settlement area along BR-364), areas for extractive production managed by local populations such as the rubber tappers, and protected forest and and Indian areas. A preliminary zoning proposal was sent to the World Bank in April, 1988. In theory, this is an admirable proposal. In reality, the loan has little chance of success under present conditions if the Bank does not make major changes:

--the Bank is not enforcing adequately the environmental and Indian lands provisions in already approved loans for Polonoroeste, where protected areas are being systematically decimated; until it does another $200 million to create still more protected areas and land use zones will have even less chance of success than the first Polonoroeste loans;

--areas designated for forest protection and as extractive reserves have already been invaded by agricultural settlements, including Jeronopolis and Tomaslandia;

--much of the loan will go to try to accomplish what the first loans failed to: the consolidation of populations in the main settlement areas in raising tree crops such as coffee and cacao; information from researchers in the area indicates, however that the proposed agricultural models just as in the first loans are based on inadequate economic data: very little field data has been collected on such variables such as trends in crop prices and fertilizer and pesticide prices, risk factors affecting crop yields etc. It was precisely this lack of data that contributed to the failure of the first Polonoroeste loans and the wide scale promotion of cattle ranching in settlement areas;

--most seriously, the success of this loan will hinge on the participation of groups and organizations representing the so called target or "beneficiary" populations: rubber tappers, agricultural colonists and indigenous communities. There has been insufficient consultation with with these groups. Last October 13 rubber tapper leader Chico Mendes wrote Barber Conable to protest this lack of consultation and his perception that areas designated as extractive reserves would in reality be opened for new agricultural colonization and deforestation.

B. The Carajas Iron Ore Mine and Railroad Project

The Bank loaned $304.5 million in 1982 to the Brazilian state mining company, CVRD, (Companhia Vale do Rio Doce) to build an iron ore mining facility and a 900 kilometer long railroad from the mine to a deep water seaport. Claiming that it had learned from the problems of Polonoroeste, the Bank widely touted environmental and Indian lands protection provisions in the loan agreement as a model. Although the Bank has now disbursed all of the funds for Carajas, the project area as legally defined in the Loan Agreement with the CVRD company is now threatened by unprecedented deforestation through the proposed construction of more than two dozen charcoal fired pig-iron smelters that will buy ore from the CVRD mine and use the CVRD railroad.

In addition, as of December, 1988 the protection of Indian lands in the Project is a shambles. Only 12 of 25 Indian areas that were to have been demarcated have been fully guaranteed legally. Many of these areas have been illegally invaded by loggers, miners, cattle ranchers and agriculturual colonists.

Once again, a Bank financed infrastructure project is, despite much advertised environmental conditionality, facilitating massive deforestation and tragic destruction of the livelihoods of indigenous peoples despite intentions and plans to the contrary. Although all disbursements are complete, the Bank must take other actions to ensure the enforcement of its loan conditions, such as the withholding of future loans for infrastructure development in the Amazon until the situation is rectified in Carajas.

1. More on the smelters

Two smelters are already in operation, nine more have been licensed, and 16 more have been proposed. The CVRD company is a co-owner and investor in one of the two smelters in operation, as well as a co-owner of one of the licensed but not yet constructed smelters. These smelters will deforest some 58,000 square miles, an area the size of Wisconsin, over the next 20 years if alternatives are not found.

The Bank in correspondence with groups such as the Environmental Defense Fund claims that its borrower, CVRD does not license the smelters (they are licensed by another government agency) and that therefore it is not responsible for acting on what critics maintain is a flagrant violation of the loan agreement, which requires that "The Borrower [CVRD] shall take all action, as shall be required to ensure that the execution and operation of the Project are carried out with due regard to ecological and environmental factors...." The Carajas Project Area is legally defined in the loan agreement as an area 100 kilometers around the iron ore mine and on either side of the railroad. Moreover, the Indian areas in the legally defined Project Area will be the main sources for much of the wood and charcoal to fire the smelters, and this is a clear violation of the component of the loan dealing with the protection of the Indian areas. (known as the "Special Project" in the loan agreement) The Bank has also claimed that since all money has been disbursed for Carajas, it no longer has any involvement in the situation and leverage over the CVRD company.

Senate Report 100-395, which accompanied the Foreign Operations Appropriations legislation for FY 1988, expressed strong Congressional concern over the tropical forest fueled pig iron smelters in the World Bank Carajas Project Area, and instructed the U.S. World Bank Executive Director to seek means of compliance with the contracted environmental provisions. The Treasury Department has received a letter from the Bank asserting that the Bank believes there has been no legal violation of the loan agreement. The General Consul's Office of the Treasury Department is not completely satisfied with the Bank's response and is considering a response which will ask for more information.

The Bank's position, which is basically that it is not legally obliged to do anything and has no responsibility seems clearly untenable in light of a memorandum (dated 4/7/87) from the Environmental Superintendent of the CVRD company to the company's management which states the following: "CVRD's responsibility is greatly increased by the fact that the company holds a monopoly on the minerals and rail transport. Any metals industry in the region can only exist with the support of CVRD... It will be difficult for the company to defend itself from the accusation of being the principal agent responsible for the devastation of the tropical forest in its area of influence." (emphasis added)

2. Have the Loan Conditions Been Violated?

There are several provisions of the Loan Agreement (No. 2196 BR, dated August 13, 1982) between the Borrower, the CVRD Company, and the Bank which are relevant:

Section 102 (k) : "'Carajas Project Area' " means the area included in a radius of about 100 kilometers from the iron ore mining site (deposit N4E) and railway to be constructed under the Project; and

(i) 'Special Project' means the FUNAI's Projeto Ferro Carajas, Apoio as Communidades Indigenas, the Guarantor's special five year project (1982--1986) for the protection of anbd assistance to Indian communities in the Carajas Project Area, dated January, 1982."

Section 3.10. "The Borrower shall take all action as shall be required to ensure that the execution and operation of the Project are carried out with due regard to ecological and environmental factors and, as part of the foregoing, the Borrower shall:....." [six specific measures are listed]

Section 3.11. "The Bank and the Borrower agree that the strengthening of measures to protect the indigenous Amerindian population in the Carajas Project Area is essential to the carrying out of the Project. To this end, the borrower shall:

(a) enter into an agreement with FUNAI, satisfactory to the Bank, providing for the funding by the Borrower of the Special Project;

(b) take all necessary action to assist FUNAI to carry out the Special Project...."

Clearly, if "Project" in Section 3.10 is interpreted as including the "Carajas Project Area," then the pig iron smelters are a violation of the loan convenant between the CVRD company and the Bank. There are four nexuses between CVRD and the smelters:

1) The CVRD company is the monopoly seller of the iron ore to the smelters;

2) The CVRD company owns the railroad that transports the iron ore to the smelters and the pig iron from the smelters to the port of Sao Luis; CVRD sells the use of the railroad to the smelters;

3) The smelters are all located within 100 kilometers of the railroad, the legally defined project area;

4) In addition, the CVRD company is the co-owner of two of the smelters--one is already in operation, another is planned.

The Bank can only argue that Section 3.10 does not apply if it claims that "Project" is distinct from, and refers to a smaller area than "Carajas Project Area" in Article I of the Loan Areement ("General Conditions; Definitions"). But there is no separate definition of "Project" in Article I; in fact, the most direct reference appears to be in Section 102 (k) defining the "Carajas Project Area." Even if one were to assume that "Project" does not refer to the "Carajas Project Area," Section 3.11 unambiguously requires CVRD to both finance and "take all necessary action to assist" FUNAI in carrying out the "Special Project" for the protection of indigenous communities in the Carajas Project Area. Many of the 24 Indian areas that are required to be demarcated and protected under the Special Project will be adversely affected by the pig iron smelters, indeed the forests in the Indian areas will be the main source of charcoal since much of the area outside in the Carajas Project Area has already been deforested. Inaction by CVRD in using its influence--through the four connections referred to above--in stopping the pig iron smelters and promoting an ecologically viable alternative is a clear violation of the loan provisions relating to the "Special Project."

C. Power Sector Lending

The Bank loaned $500 million to the Brazilian Power Sector in 1986--over the objections, in part environmental, of two Executive Directors representing the U.S. and several European countries. A second $500 million power sector loan was been in preparation for some time, and after tremendous environmental controversy and international protest has been tabled; in its place the Bank is preparing a $300 million "environmental reform and energy conservation" loan. This is an encouraging development, but it is too early to know whether this new loan will involve a fundamental redesign of the power sector investment plan--the Plan 2010 which calls for the construction of 136 dams by the year 2010, of which 79 will be in the Amazon rainforest.

The Bank argues that its power sector lending is not supporting directly any specific power projects, but rather is intended as a quick disbursing adjustment loans to promote a number of policy reforms and institution building activities in the national Brazilian power utility, Eletrobras, and its various regional subsidiaries. However, a main condition of the first power sector loans has been the detailed review and approval by the Bank of the entire Brazilian power sector investment plan for the next 20--25 years--know i.e. the Eletrobras "Plan 2010." This plan, as noted above, calls for the construction of 136 dams over the next 20--25 years, of which 79 will be in the Amazon region.

The environmental and social impact of these 136 dams will be enormous: some 500,000 people will be forcibly displaced and more than 35,000 square miles (90,000 square kilometers), an area the size of Indiana, will be flooded, much of it pristine tropical forest. The Bank endorsed and supported Plan 2010 will have greater environmental and social impacts on Brazil's remaining Indian population than any other development scheme in history.

The Bank argues that through its power sector lending it has been able to obtain unprecedented environmental commitments from Eletrobras and its regional affiliates: in particular, both power sector loans support, and require the preparation and ongoing implementation of an "Environmental Master Plan" for the power sector. The Environmental Master Plan requires the building up of environmental assessment units in each of the regional affiliates of Eletrobras, and the preparation and implementation of a project-by-project environmental, resettlement and Indians lands protection program by all of the regional operating affiliates. There are other provisions in the Master Plan, but it is supposed to ensure that each of the 136 some odd projects that will be built under the Plan 2010 thoroughly address project specific environmental and social impacts. (The Environmental Assessments--"RIMA" is the Brazilian acronym--are to be prepared in accordance with Brazil's recently enacted environmental assessment law, CONAMA Resolution 001 of January 23rd, 1986)

There are two main concerns associated with ongoing problems in the first Power Sector Loan and proposed future lending to the power sector:

a. The poor record of implementation of the environmental and social promises that were conditions of the First Power Sector Loan, as well as of the Carajas and Polonoroeste Project. In each case initially the Bank advertised these projects as environmental models in terms of the 'unprecedented' environmental commitments they received from the Brazilian borrowing agencies, but the real net effect of these projects has been to help finance massive infrastructure in the Amazon that is facilitating unprecedented deforestation and social disruption. In particular, under the first power sector loan, already 25 new dams are under or have commenced construction through the end of 1988. These dams will displace a total of 91,000 people and flood an area of nearly 4000 square miles (10,723 square kilometers)--almost the size of Connecticut. Yet at most for only five have adequate resettlement, environmental, Indian lands protection plans been prepared and set into implementation. (Additional detail below)

b. Lack of involvement and participation of representatives of the local populations most affected by the dams: populations to be resettled and indigenous peoples, as well as lack of involvement of Brazilian NGOs concerned with energy, environment and indigenous peoples' issues. Here the situation is scandalous in many projects that have already been commenced under the first power sector loan and which will be continued during the disbursement period of future loans. Of some 25 projects where construction has already commenced, in no more than four have resettlement plans been reviewed and accepted by affected populations. (see details below)

A particularly poignant case is that of the Gaviao and Arara Indians who inhabit the Lourdes Indian Reserve in the Polonoroeste project area. Part of this reserve will be flooded by the Ji-Parana dam, which according to the Master Plan is scheduled to be commenced by 1991. (The Ji-Parana dam was denounced as "pure folly" by the Acting U.S. Executive Director of the World Bank when he opposed the First Power Sector Loan in June, 1986.) These Indians already have suffered from land invasions and disease brought by the Polonoroeste project; in February, 1988 they wrote the President of the World Bank to protest the Ji-Parana dam. Eletronorte officials have been surveying the area since 1984, and in that year the Gaviao physically destroyed metal markers put in place on their land for aerial surveys and have threatened all power company officials who since then have attempted to enter their land to conduct preliminary surveys necessary for estimating the size of the dam reservoir. Their letter has received no response from the World Bank.

Internationally respected Brazilian non-governmental organizations such as CEDI (the Ecumenical Council for Documentation and Investigation), The Sao Paulo Pro Indio Commission, CIMI ( ), and IBASE (the Brazilian Institute for Social and Economic Analysis) have been denied access repeatedly to information by the Eletrobras regional operating company for the Amazon, Eletronorte, on issues involving indigenous peoples and resettlement. The Bank itself does not exchange information with these groups, even though in many cases their information on field conditions in Bank projects would be essential for regular Bank monitoring and supervision.

1. More details on the implementation of the environmental, Indian Lands protection and resettlement rehabilitation conditions of the Environmental Mater Plan

Preparation and timely implementation of the Environmental Master Plan is the heart of the environmental conditionality for both the first power sector loan and will probably be a major component of the $300 million loan now in preparation.

In Section 2.04 of the first power sector loan Project Agreement, Eletrobras committed itself to prepare and furnish to the Bank the Environmental Master Plan, including a timetable for its execution and to carry it out "with due diligence and efficiency" in accordance with the timetable.

The latest version of the Master Plan was submitted to the Bank in December, 1987. The plan lacks specificity in many cases, particularly with respect to timetables and budgets for carrying out environmental, indigenous peoples' and resettlement studies and actions. The plan listed 13 projects that were already under construction, 12 projects whose construction was to commence in 1988, and 30 projects to be commenced between 1989 and 1991. According to Eletrobras the 12 dams already under construction will flood 9625 square kilometers and forcibly displace over 61,000 people. The dams begun in 1988 will flood 1097 square kilometers and displace another 30,000 people. The dams scheduled for commencement in 1989--1991 will flood another 8038 square kilometers and displace tens of thousands of people.

A reading of the December 1987 Eletrobras Master Plan as well as information from Brazilian NGOs reveals that of the 25 projects already under construction as of the end of 1988, adequate environmental, resettlement, Indian lands protection and social rehabilitation plans exists for no more five; the Itaparica and Ita projects appear to be the dams where resettlement and environmental and social assessment have been most thorough.

A number of projects require emergency measures to deal with the threats to the livelihoods and health of local populations and the social unrest that has been created; these include Machindinho, Balbina and Manso. (See EDF Memos and letters dated January 11, 1988 and August 9, 1988 for more details.)

Most serious, in almost all of the 25 ongoing projects there are no monitoring and evaluation programs in place, and the Bank itself is devoting totally inadequate resources and staff time to the monitoring and supervision of the implementation of the Environmental Master plan.

II. Involvement of Non-Governmental Organizations in Multilateral Bank Work in Brazil

Involvement of NGOs that represent communities directly affected by MDB projects or that have long term work experience with such communities is of central importance in improving the environmental and social performance of MDB operations for several reasons. First, local communities, particularly indigenous peoples' and rural peasant communities, although often the intended beneficiaries of components of MDB projects, are seldom consulted about project goals or execution. Thus all too often they do not benefit or are actively prejudiced by projects. Second, to the extent that such communities are not consulted or involved in project design, their knowledge of local environmental and social conditions, often highly detailed and sophisticated, is not taken into account and avoidable problems result. Sometimes the viability of the entire project is undermined.

The World Bank and the IDB have undertaken several initiatives to involve non-governmental organizations (NGOs) in project work in Brazil, with mixed results. The World Bank has issued several lists of "World Bank Financed Projects with Potential for NGO Involvement", most recently in November of 1988. With respect to the Brazil projects mentioned in the list, several points should be made. The Bank deserves credit for at least beginning to seek to involve NGOs in its work in Brazil. Nonetheless, several Brazilian NGOs that received copies of the list raised questions about the information presented in the list and type of NGO involvement the Bank is pursuing. Of 16 projects mentioned as featuring or having potential for NGO involvement, only three list which NGOs are involved. In all three projects the NGOs mentioned are international organizations essentially engaged in consulting for the Bank. For example, in the Amerindian Special Project of the Polonoroeste Project, the Bank lists the participations of the French group "Medecins Sans Frontieres"--whose involvement was unknown to the NGOs most concerned with indigenous peoples issues in Brazil, including the Union of Indigenous Nations, the only independent Indian organization in Brazil. This suggests that the Bank has not succeeded in providing information on its activities to the local NGOs. Brazilian groups that received the list found it enigmatic--virtually no information about which Brazilian groups would be involved, or what they would do is provided, so that the utility of the list as an information source is highly limited. It is suggested that grassroots groups may become involved in several projects, but which groups are not specified. For ongoing projects, with the exception of the Itaparica Resettlement Project, the Bank appears to have only consulting relations with international NGOs. Such relations may be useful for improving some aspects of project quality, but do not address the more fundamental and critical issue of giving access to information and involvement in project decisions to the communities directly affected in the borrowing countries.

The IDB, in contrast, has at least in one instance gone much farther. In May of 1988, the IDB took an exceptionally important initiative in promoting direct discussions between federal and state government agencies and local and national NGOs in Acre, Brazil, to determine the redesign of its environmental protection plan for the Porto Velho-Rio Branco Road Paving project. The loan had been suspended for non-compliance with environmental conditions since the previous January. The loan provides for the paving of about 200 miles of road and for a series of environmental and Indian lands protection measures. In order to proceed with the loan, the IDB sent a mission to the project area in Acre state that held meetings with the responsible federal agencies and the National Security Council, state agencies, the Union of Indigenous Nations (the independent Indian NGO) and with the National Council of Rubber Tappers, the NGO representing rubber tappers--well as with several Brazilian NGOs that work in collaboration with these grassroots NGOs.

The meetings secured commitments from all parties to support the creation of four "extractive reserves", protected areas inhabited by rubber tappers, that would managed by them on a sustainable basis. The Brazilian agencies also committed themselves to provide health, education, and marketing assistance to the rubber tappers, and agreements secured that ensured that Indian communities would have to give their written consent to demarcation carried out by the government. This last point is of particular importance, since the Indian agency (FUNAI) and the National Security Council had proposed creation of so-called "indigenous colonies" in a number of indigenous areas, a new formulation which typically reduces the amount of Indian land in a given area and permits the transformation of parts of those areas into National Forests, which are open to exploitation by loggers and miners. The indigenous communities unanimously rejected the "indigenous colonies" concept. The agreement reached with the IDB, the local communities and the Brazilian federal government, while it does not resolve key issues regarding Indian land demarcation, nonetheless represents an important effort on the part of the IDB to promote meaningful involvement of local organizations in project planning.

The IDB is to be strongly commended for having taken the initiative to promote substantive discussion between the executing agencies of its project and the representatives of the local communities affected by the project, and should be encouraged to continue on this course of directly involving local communities in discussions of technical project issues that affect them. This experience is among the most important and positive initiatives taken by Multilateral Banks to involve NGOs in project work.

III. World Bank Project in Indonesia

A. Kedung Ombo Dam in Central Java

In 1985, the Bank approved a loan for $156 million for the Kedung Ombo Multipurpose Dam and Irrigation Project on the Serang River in Central Java. The purpose of the project was to irrigate 59,645 hectares of wet rice fields and generate 225 MW of electricity. At the time, the Bank's Staff appraisal report (SAR) stated that 75% of the population to be displaced wanted to move voluntarily and become part of the Government of Indonesia's transmigration program, also partly financed by the World Bank. Until June 1988, when the Bank sent one of its own consultants to Indonesia to look at resettlement and land acquisition, there was inadequate Bank monitoring or supervision of the project, and Bank staff did not investigate NGO reports that a large percentage of families were refusing to move, and that the land aquisition process by the local government was ruled by intimidation of local villagers.

NGOs in Indonesia such as the Legal Aid Society (Lembaga Bantuan Hukum in Jakarta) have been closely monitoring the resettlement situation at Kedung Ombo. In 1987, they sent a communication to the World Bank detailing the harassment and intimidation used by local officials to force the project affected people to move. Local newspapers were also printing stories about the situation. Yet the Bank did not investigate because it had been assured by the the Minister of Public Works that everyone had already been compensated and had moved from the area.

When the Bank finally sent a consultant to the area in June 1988, the situation had grown worse. The Legal Aid Society warned the consultant that only a few hundred families had freely accepted compensation for their lands and were actually willing to move. Up to 3,391 families at that time had refused to accept compensation, primarily because compensation rates were so far below the market value of the land. This was also confirmed by an independent research report on Kedung Ombo presented before the 1988 International NGO Forum on Indonesia (INGI) Conference in the Netherlands. The INGI report revealed that typical land prices outside the project area were between Rp 4000 and Rp 5000 per square meter. Yet the compensation rate offered to the project affected people by the local authorities was only Rp 250 per square meter.

When the government realized that the people were not accepting cash compensation, it started offering resettlement land nearby in the same district; this land turned out to be totally unacceptable because it was unfit for cultivation, had no drinking water, and was virtually inaccessible by road.

The consultant also reported environmental negligence in the project. The report revealed "there is no regional plan being prepared for the Kedung Ombo surrounds, and there is no plan for fisheries development." There were also no plans for the control of erosion of the watershed and dumping of pollutants into the River Serang upstream of the dam.

After surveying the situation, and finding that the Kedung Ombo families had not been consulted at any stage in the development of the project, the consultant recommended that the Bank consider "withholding loan disbursements pending a satisfactory resolution of the problem, perhaps, inter alia insisting on a delay of impoundment [of the reservoir]". Alternatively, the consultant stated that the Bank could inform the GOI of its dissatisfaction with the situation seek agreements on land aquisition and resettlement which would ensure more satisfactory outcomes for future projects. The problem with the alternative being that the Bank would have to turn a "blind eye" to the fate of the remaining families at Kedung Ombo.

The Bank essentially did turn a "blind eye" to the situation for the rest of the year, and only recently sent a mission there in February 1989, after the reservoir has started filling, and villages where people were still living were being submerged.

On January 16, 1989, while the project area was placed under tight security, the gates were closed and the reservoir started filling. Journalists and NGOs were allowed access to the area and to the families only under official police supervision. Approximately, 1500 families (estimates vary) of the Kemusu subdistrict, in the villages of Nglanji, Genengsari, Bawu, Kemusu, and Ngrakum had still refused to accept compensation and were staging Balelo (civil disobedience). Even up to the final day before submergence, the families were being harassed by the Military and local government officials for not moving. The villagers told the local press they would stay in their villages until the water flooded their houses. As of March, 1989, NGOs in Indonesia have now reported that the villages have been submerged and the people are occupying some nearby forest land, trying to salvage what is left of their belongings. Many are living in makeshift shelters, and there is growing concern among NGOS for their health and safety.

This resettlement situation represents totally unacceptable violations of the Banks own policy guidelines on Involuntary Resettlement in Development Projects. The Banks policy guidelines state, inter alia, that supervision by the Bank of resettlement operations must be exercised regularly, that affected populations should be consulted directly or through NGO leaders, that populations to be displaced should have access to information about the project, and that the resettlement plan should provide for participation of the affected communities. Policy guidelines also emphasize that cash compensation alone is usually an inadequate strategy for dealing with displaced people, because people often end up impoverished.

In response to the present situation, EDF believes the Bank must immediately take steps to ensure that the 1,500 families now encroaching on nearby forest land are not further harrassed by local authorities. The Bank must ensure that a comprehensive resettlement and rehabilitation (R & R) plan for these remaining families is immediately established and implemented. The R & R plan should include steps for restoring the families' income through agriculture, identification of resettlement land, and a timetable and budget for resettlement. Additionally, the Bank should hold discussions with GOI on the resettlement problems at Kedung Ombo and request a full review of land aquisition and resettlement in Indonesia before financing any further projects requiring forced resettlement. The Bank should also require the completion of a comprehensive regional environmental plan for Kedung Ombo.

B. International NGO Forum on Indonesia (INGI) Aide Memoire

For four years, EDF has been a participant in the International NGO forum on Indonesia (INGI), a coalition of 50 environmental, human rights, and religious NGOs from Indonesia and countries which lend development assistance to Indonesia. INGI was formed to provide grassroots NGO input into decisions, policies, and research on development assistance of the Inter-Governmental Group on Indonesia (IGGI) a consortium of all countries which lend development assistance to Indonesia, including the World Bank and Asian Development Bank. INGI's basic objectives are to ensure that IGGI takes full account of issues affecting the poor and disadvantaged in Indonesia and to strengthen and broaden peoples' participation in development in Indonesia.

INGI participants meet once a year in Holland to discuss a broad range of development issues, including the social and environmental impacts of specific development projects in Indonesia. During each INGI Conference, an Aide Memoire which details specific NGO concerns and contains specific recommendations to IGGI members is drafted and then disseminated to all IGGI members. Because it lends more to Indonesia then other IGGI members, and because of its pervasive influence within IGGI, the policies and projects of the World Bank in Indonesia have been a matter of growing concern for INGI participants.

The 1989 INGI Aide Memoire (see attachment) contains several recommendations to IGGI based on the results of NGO research, which are directed at the World Bank and the Asian Development Bank. The results of the NGO research demonstrated that a principle failure of many development projects (including those financed by the Bank and the ADB) is that the people most directly affected by the projects are usually excluded from project planning and implementation. The research also demonstrated that project affected people are often the "victims" of the development process rather then its beneficiaries, and that as a result of development projects, the rural poor had often lost their land, and the environment which they depended on for their income and survival has either been destroyed or degraded.

The 1989 Aide Memoire also recommended that the World Bank develop concrete mechanisms for NGO involvement in the project cycle such as systematic information dissemination, public hearings, and project monitoring and evaluation units. INGI also expressed concern that environmental and socio-cultural impact assessments are not systematically employed in the project cycles of development projects, especially those financed by the Asian Development Bank and the World Bank.

IV. India

A. Sardar Sarovar Dam--Narmada Valley

For four years, EDF has been following the course of events surrounding the construction of the highly controversial Sardar Sarovar dam in the Narmada Valley in Western India. This project, which will forcibly displace 90,000 people, is also of grave concern to hundreds of Indian and International NGOs around the world who have monitored it as a case study of the World Bank's willingness and capacity to promote NGO involvement in equitable resettlement and to ensuring environmentally sustainable development. At this point in time, most NGOs familiar with the project cannot understand the Bank's continued funding of a project so riddled by social unrest, misinformation and outright negligence in environmental and resettlement planning.

The Sardar Sarovar dam is one in a series of dams to be built on the Narmada River over the next 40-50 years. The Narmada Valley Development Program, billed by Indian environmentalists as "India's greatest planned environmental disaster" will involve the construction of 30 major dams, 135 medium dams and 3,0000 small dams to provide irrigation and hydro-electric power to an area covering parts of three states--Gujarat, Maharashtra and Madhya Pradesh. The entire scheme would forcibly displace 1.5 million people, the majority of whom are of tribal origin.

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Since the World Bank first approved a loan and two credits totalling $450 million for Sardar Sarovar in 1985, there have been continuing problems with the resettlement and rehabilitation of the 90,000 people, including lack of involvement of the affected people, lack of access to information, and no identification of suitable land for resettlement. Additionally, after four years, crucial environmental studies and action plans for the project are still incomplete. Moreover, the viability of original cost/benefit analysis for Sardar Sarovar is now even being questioned by some Bank staff, and the Bank has revealed that in the next few months, they will "revisit" the cost/benefit analysis and look into some of the costs which Indian NGOs maintain were originally underestimated or totally excluded.

Following is a brief field update on Sardar Sarovar from EDF staff attorney Lori Udall who just returned India where she met with grassroots activists working with the people to be displaced ("oustees") and visited the submergence villages of Madhya Pradesh.

1. Resettlement and Rehabilitation (R & R)

Sardar Sarovar will submerge a total of 248 villages-193 in Madhya Pradesh, 36 in Maharashtra, and 19 in Gujarat (estimates vary). Over the last three years, R & R has been handled with such negligence and disorganization by the Bank and the state governments involved, that a majority of the oustees are now totally opposed to the dam, and are demonstrating passive resistance and non-cooperation with state government officials. These people are simply refusing to move from their villages.

Lack of available resettlement land, lack of a common R & R policy for all three states, little or no involvement of the affected communities in decisions which directly affect their lives, as well as violations of the World Bank/Government of India loan agreement on Sardar Sarovar are the R & R problems cited by Indian NGOs working with the project affected people. The World Bank has responded to these problems by sending several supervision missions to the Narmada Valley, including a high level mission with Senior Vice-President for Operations, Moeen Qureshi, last November 1988. Mr. Qureshi met with several Indian NGOs, and with those representing the displaced people, and promised to follow up on their requests. However, there has been no improvement since his visit.

EDF staff attorney Lori Udall's recent meetings with grassroots NGOs in the valley revealed that very little progress has been made in R & R. The issue of land availability is still totally unresolved in all three states. NGOs firmly hold that there is not enough land available for resettlement. In Maharashtra, the only land identified by the state government was 1,173 hectares of forest land. When inspected by NGOS, the land was found to be already inhabited by other tribal people. In Madyha Pradesh (MP), local officials have admitted to NGOs that they have not identified land for resettlement, which is no small matter, because the majority of oustees (193 villages) live in MP and want to stay there. Yet, MP officials have told the oustees if they want resettlement land they will have to move to Gujarat. In Gujarat, deals for only about 5,500 acres have been approved, but not finalized. Gujarat officials claim there is land available in the command area, but this land has not been inspected or approved by the oustees. As one NGO representative recently wrote in a letter to a World Bank official " We, the peoples' organizations, have concluded that neither a just policy nor a resettlement plan is possible or meaningful when the [state] governments do not even have the basic resource available--land for resettlement".

To date, there is still no common policy on R & R for all three states, nor is there a comprehensive resettlement plan; although the Bank has repeatedly requested the state governments for two years to promulgate policies and to come up with a concrete resettlement plan. Gujarat is the only state which has an acceptable policy (and is in compliance with the World Bank/GOI loan agreement), which grants a minimum two hectares of resettlement land to those people with and without legal title to the land they live on now. But implementation of even this policy has been totally deficient. After considerable pressure from the Bank and NGOs, Maharashtra and Madhya

Pradesh have recently issued policies on R & R, yet the policies have not been released to the oustees or the general public.

In the nine villages that have been resettled in Gujarat, the oustees face serious rehabilitation problems such as water shortages, fuelwood shortages, and inadequate land for cattle and farming. Some of the resettled people from Maharashtra have resorted to returning to their old land to collect fuelwood and fodder. Other oustees have received land which is encumbered with debts; still others have been told they will have to be resettled more than once--due to acquisition of their allotted land for a canal stemming from Sardar Sarovar. A few of the villages have disintegrated completely because they were not resettled as a unit. As if these problems were not enough, even worse news was recently documented by the monitoring and evaluation unit (Tata Institute of Social Sciences) for the the Maharashtra oustees. Their January 1989 report revealed that the villagers from Manibeli in Maharashtra resettled in the Gujarat village of Parveta have been dying at a rate of four times the national average of India. The report also documents poor housing conditions, and an unsanitary environment.

The situation has deteriorated concerning involvement of the affected population and their access to information. Except for some oustees in Gujarat, the majority of people to be displaced have not been involved in the resettlement process, nor in decisions which directly affect their lives. Requests for information from NGOs have continually been denied. These requests include lists of villages to be submerged, lists of state government officials responsible for resettlement, a timetable for R & R, information regarding the cost/benefit analysis and supporting documents, minutes from inter-state agency meetings on R & R and other information which directly affects the oustees. Recently, NGO meetings with state government officials on R & R issues were cancelled at the last minute without explanation. This lack of consultation with affected populations is a violation of the Bank's loan and credit agreements with the three state governments (May 10, 1985) as well as the Bank's own policy on involuntary resettlement in development projects.

Information from the Bank is also difficult to come by. This is particularly frustrating for Indian NGOs since Bank missions often make the effort to discuss important developments with NGOs while they are visiting India. Yet NGOs never have access to "Back to Office" reports filed by Bank staff, so they have no way of knowing whether their complaints or comments are ever taken seriously. A related problem is that Bank mission staff dealing with R & R issues at Sardar Sarovar are constantly changing; rarely do the same people return to the valley twice. This has resulted in little continuity in Bank/Indian NGO communications and relations.

After four years of frustration and unsuccessful attempts in negotiating an equitable resettlement for the oustees, several grassroots NGOs representing a majority of the oustees have now declared their total opposition to the dam. As a leading activist, Medha Patkar (Narmada Dharnagrast Samiti), stated in a recent letter to a Bank official "We strongly hold that Sardar Sarovar is far from being established as a beneficial project for the public good...we have started and will continue with a movement of total noncooperation in the valley with approximately 150 villages--tribal and non-tribal, big farmers and landless people, belonging to all castes and creeds. We are organised and opposing the project!" Attached for the record is a copy of the letter detailing the full reasons behind NGO opposition.

The oustees opposed to the dam have staged several massive peaceful demonstrations this year. Even though the demonstrations have been nonviolent, Gujarat has stepped up its use of police force, teargas and arrests-- a situation the Bank cannot afford to ignore.

In October, 1988, Gujarat imposed the "Official Secrets Act, 1923" (a law which controls spying activities and acts which are against the safety and interests of the state) in twelve villages near the dam site, which designated it as a prohibited area. On January 30, 1989, 1,500 people demonstrated near the dam site to oppose this unfair restriction on freedom of assembly and improper use of the act. Eighteen people were arrested and charged with "spying"; they were later released. The state has since dropped charges.

On February 22, 1989 around 10,000 of the oustees from all three states arrived at the dam site to stage "dharna" (a sit-in) and express their opposition to the dam. Some tribals arrived on foot after walking three days, others arrived in truck caravans. After everyone arrived at ~~the dam~~ site, suddenly and without provocation the police started arresting and physically beating up seven of the activist leaders of the demonstration. The police then tried to disperse the crowd, but the demonstrators would not move until the leaders were released. Later in the afternoon the seven were released. However, charges were filed against them the next day for "assault on police" and "rioting".

2. Environmental Studies

Since 1985--when the World Bank approved the loan for Sardar Sarovar even before India's Department of Environment and Forests had granted an environmental clearance--to this day, the environmental impact of Sardar Sarovar has still not been assessed. Crucial studies and action plans are still incomplete; some have not even been started. Studies on seismicity, public health impacts, an inventory on the flora and fauna, treatment of the catchment area, development of the command area, carrying capacity and compensatory afforestation have not been completed by the responsible agencies. Considering the World Bank's new commitment to environmentally sound development, it is disturbing that the Bank has put such little emphasis on the timely completion of these studies for a project which will undoubtedly have severe environmental and social impacts on the surrounding area. Since a full environmental impact assessment was never conducted, we fully support Indian NGOs and environmentalists who believe that completion of these studies represents a bare minimum standard of environmental and technical competence.

3. Cost/Benefit Analysis

For several years, Indian and international NGOS have questioned the original cost benefit analysis maintaining that it either underestimated or totally excluded some of the most serious costs of the project such as measures to mitigate public health impacts, the costs of R & R, the environmental cost of forest submergence, and the value of agricultural land in the submergence area of Madhya Pradesh. Additionally, NGOs maintain that projected crop yields for the irrigated area are exaggerated, and far beyond anything achieved in other irrigation projects in India. Accordingly, the Bank has now agreed to "revisit" the cost benefit analysis, yet it has not given a clear timetable for this process, and should do so immediately. While NGOs support this move, they also strongly hold that the re-evaluation process will only have credibility if NGOs are involved in the process, NGO documents on the cost/benefit analysis are reviewed and the results of the new cost/benefit analysis are made public.

4. Conclusion

Considering the current status of R & R, and the incomplete environmental studies, EDF cannot endorse further Bank funding of the Sardar Sarovar project. Moreover, it makes little sense for the Bank to be disbursing money on a project whose economic viability now even is being reappraised by Bank staff.

EDF believes the Bank must halt disbursements on Sardar Sarovar immediately, and suspend the project indefinitely, until: 1) the revised cost/benefit analysis establishes that the project is economically viable; 2) suitable resettlement land has been physically identified and accepted by oustees in all three states; 3) all environmental studies are completed; and 4) the three state governments are in compliance with the loan agreements governing the project, and with the Bank's own policies on involuntary resettlement in development projects.

ATTACHMENT 1

DECLARATION OF NGOS AT ANNUAL MEETING OF THE IDB, MARCH 20, 1989

THE IDB: ENVIRONMENTAL BANK FOR THE 1990's?:

THE NGO (NON-GOVERNMENTAL ORGANIZATION) PERSPECTIVE

Introduction

Since he was chosen to head the IDB in April, 1988, Bank President Iglesias has often stated his desire that the Inter-American Development Bank serve as the "Environmental Bank for the 1990s". The intention of President Iglesias is not that the Bank become directly involved in the protection of flora and fauna in Latin America, but rather that the lending activities of the IDB promote economic development that allows the region's resources to be used, in a sustainable fashion, for years to come.

This initiative could not come at a more critical time. Forest clearing in Brazil alone is estimated to have destroyed 20 million acres last year. Most of the other countries in the region are beset by ever increasing rates of deforestation, soil erosion, loss of wetlands, the overexploitation of marine resources, and air and water pollution.

The connection between natural resource loss, increased poverty, and economic underdevelopment, is increasingly obvious, as the loss of natural resources clearly undermines equitable economic growth. Stagnating economies, and the oppressive burden of foreign debt, in turn generate a pattern of economic underdevelopment that depletes natural resources and starts this cycle all over again.

If the IDB is going to address the cycle of underdevelopment and environmental decline in the region, it must first make the following changes:-

Increased participation of affected people and NGOs

The signatories of this document believe that those people directly affected by bank projects have a right to participate in the selection, design, and in some cases implementation of these projects. This has also been one of the central conclusions of the report of the World Commission on Environment and Development.

There is also a wide variety of non-governmental organizations (NGOs) in Latin America and the Caribbean who have an interest in environmental issues. Some are dedicated basically to working solely on these issues. Others represent indigenous people, organizations of campesinos, communities and sindicatos, and though not organized primarily to work on environmental matters, are increasingly expressing their views on natural resource issues.

In the past year, the Bank's ability to include people and NGOs in its activities was demonstrated on at least one notable occasion. In April 1988, the Bank helped organize a meeting between Brazilian rubber-tappers, environmental organizations, and Indians in the State of Acre, where they were joined by Bank staff and representatives of various ministries of the Brazilian government, including the Brazilian National Security Council. The groups met to discuss environmental issues related to the Acre road project, and they later agreed to a mutually satisfactory environmental master plan for the area. While the full implementation of that plan is still uncertain, the ability of the IDB to bring these groups together under such difficult conditions was commendable.

Over the past two years the IDB has been developing an internal policy document on its relations with NGOs. The current version of the document suggests specific measures for expanding these relations, but includes no timetables and no mechanisms for how these measures might be carried out.

Increasing the participation of local communities and NGOs in the selection, design, and implementation of development projects is the best way of ensuring that the projects are economically and ecologically feasible. Providing information to the public on the social and environmental aspects of projects, early in the project cycle, will be an integral part of this process.

The Bank deserves high marks for its activities relative to the Acre Raod project, but there are numerous other cases where the Bank has failed to involve local communities and NGOs. The Bank should revise its current policy document on NGO relations to include specific timetables and mechanisms by which the objectives of the document can be carried out.

Improved Monitoring of the Environmental Impact of Approved Projects

Over the past two years, the IDB has made an effort to take into account the environmental and social impact of its projects. The Cochabamba-Santa Cruz road project in Bolivia, which includes protection for indigenous people, and management support for national parks and forested areas located upstream from the project, demonstrates how environmental components have served to achieve this objective.

In other cases, the Bank has failed to monitor the impact of other approved projects, and the environmental components that they contain. For example, the Cuenca-Molleturo-Naranjal road project in Ecuador calls for the creation of a governmental office that would overse the environmental components of the loan. Although this office has been created, local environmentalists and even local road engineers point out that the office has no represent ative in the project area, and that only one site visit has been made to review the project. In the meantime, construction continues with little concern for the environmental impact of the road, part of which runs through the Cajas National Recreation Area.

In Uruguay, a regional rice-growing project approved in 1988 will result in the unnecessary drainage and conversion of thousands of acres of valuable wetlands known as Los Banados del Este. IDB loan funds finance work on local roads, irrigation pumping systems, and research and extension services that contribute to the destruction of Los Banados, which should be afforded protection under the Ramsar Convention of 1971. In its project assessment, the IDB, "... detected no significant environmental impact that could destroy the renewable natural resources as a result of the project."

Under the current Bank structure, responsibility for monitoring the impact of approved projects lies with the Bank's in-country staff, most of whom lack the training and inclination to do the job. The Bank must increase the amount of resources that it dedicates to loan monitoring in these offices, and within its environmental structure in Washington. It must also reaffirm to the borrowing country governments who are reluctant to implement these mitigation measures.

Increased Environmental Staff and the Creation of an Environmental Unit

Currently, the IDB has fewer than ten full-time environmentally trained staff out of a total Bank staff of 1200. Two of these staff members work for the Bank's Environmental Management Committee, and the others are dispersed throughout the Bank. The Environmental Management Committee, which is comprised of the Senior Managers of the Bank, is responsible for handling the environmental issues associated with Bank lending.

The Committee structure has proven useful for insuring that these issues are debated at a high level within the Bank, but it has not been able to manage environmental matters on a daily basis. If the Bank is to address environmental issues in a meaningful way, it will have to make significant increases in environmentally-trained staff, and it must also create an environmental unit that can coordinate the activities of the new staff memebers. Environmental staff must be placed in all of the important Departments of the Bank.

Debt Reduction and Natural Resources

Recent events, such as economically-triggered social unrest in Venezuela, and a softening of the U.S. government's position on debt relief suggest that increased debt reduction for Latin American debtor nations is urgently needed. The environmental community has long advocated debt relief as a means of encouraging sustainable development in the countries of the region. To assure the success of sustainable development strategies, an increased committment to wise use of natural resources must be made by the debtor nations.

The increased call for debt relief and the prospect of a new replenishment for the IDB suggests that the bank may play a larger role in negotiating solutions to the current debt crisis. Accordingly, the groups who have endorsed this document call on the IDB to expand the agenda of the May 1989 Consultative Meeting to include a discussion of the relationship between external debt and natural resource use in the Bank's member countries The increased provision of sector loans, which introduces a new category of social and environmental assessment problems, should also be discussed at this meeting.

SIGNATORIES TO NGO ENVIRONMENTAL POSITION PAPER

Unión de Campesinos Ejiditarios
Forestales de Oaxaco
MEXICO

Netherlands Committee for IUCN
THE NETHERLANDS

Comité Pro-defensa de la Flora y
Fauna
CHILE

Probe International
CANADA

OXFAM
U.K.

Tuna SaRaPa Surinam
THE NETHERLANDS

BUND AK International
WEST GERMANY

World Wildlife Fund International
BELGIUM

FOE-Holland
THE NETHERLANDS

Both ENDS
THE NETHERLANDS

Conselho Nacional do Seringuieros
BRAZIL

National Wildlife Federation
U.S.A.

Asociacion Amigos del Bosque-REDES
GUATEMALA-CENTRAL AMERICA

Pollution Probe
CANADA

Environmental Defense Fund
U.S.A.

Working Group Indigenous Peoples
THE NETHERLANDS

Ecologie Développement, Energétique
NGO (E.D.E.N.)
FRANCE

Campaign for Life in Amazonia
WEST GERMANY

International Water Tribunal
THE NETHERLANDS

European Environmental Bureau
BELGIUM

ATTACHMENT 2

AIDE MEMOIRE OF THE INTERNATIONAL NGO FORUM ON INDONESIA, APRIL 28, 1989

INTERNATIONAL NGO FORUM ON INDONESIA

(INGI)

FIFTH INGI CONFERENCE, 24-26 APRIL 1989, NIEUWPOORT, BELGIUM

AIDE MEMOIRE

PREAMBLE

Sound and sustainable development based on social, cultural, economic and political justice will further the possibility of attaining human rights in its full scope, in and among nations. In this respect, the perspective of the poor and disadvantaged groups deserves special attention. Since the establishment of the International NGO Forum on Indonesia (INGI) in 1985, the objectives of INGI have been:

a. To endeavour to ensure that the Inter Governmental Group on Indonesia (IGGI) takes full account of, and positive action on, important issues affecting poor and disadvantaged groups in Indonesia;
b. To strengthen and broaden peoples' participation in development, especially in Indonesia.

The dialogue and cooperation in INGI among NGOs from Indonesia and different member countries of the IGGI as well as International Organisations with an interest in and commitment to Indonesia, has greatly contributed to the understanding of INGI Participants that, in an increasingly global community, increasing marginalisation in Indonesia can only be assessed and effectively tackled by looking at both the internal as well as the international dynamics of poverty. INGI Participants have been and remain prepared to forward the views of INGI, particularly vis-à-vis the IGGI. In this respect, INGI appreciates the continued communication with the IGGI Chairperson, as well as the increasing possibilities to communicate with various Governments of member countries of the IGGI, the World Bank, and the Government of Indonesia. This year, INGI particularly welcomes the opportunity to communicate with the Commission of the European Community (EC).

In four years INGI has discussed and adopted a variety of recommendations in support of sound and sustainable development in Indonesia. Referring to previous Aide Mémoires, the recommendations of INGI have focussed on various aspects of Human Rights, Women and Development, Transmigration, the Autonomy of NGOs and the necessity to conduct an Environmental Impact Analysis (EIA) and a Socio-Cultural Impact Analysis (SIA) with the full participation of men and women in target communities before any project is approved. Though progress has been made in some areas, many of the recommendations of INGI remain valid and urgently need to be implemented, such as in the field of environment and human rights.

The Fifth INGI Conference took place from April 24-26, 1989 in Nieuwpoort in Belgium. A growing number of NGOs participated in the Conference:

from Indonesia:

- Badan Koordinasi Koperasi Kredit Daerah Sumatra Utara (BK3D-Sumut), (Credit Union Coordination of North Sumatra)
- Bina Desa Sekretariat (Indonesian Rural Development Network)
- Bina Swadaya (Foundation for the Promotion of Self Reliance)
- Institut Pabelan Muntilan (IPM), (Islamic Educational Centre)
- Jaringan Informasi Masyarakat (JARIM), (Community Information Network)
- Kalyanamitra, (Women's Communication and Information Center)
- Lembaga Penelitian Pendidikan dan Penerangan Ekonomi dan Social (LP3ES), (Institute for Social and Economic Research, Education and Information)
- Lembaga Penelitian dan Pengembangan Sosial KWI (LPPS), (Catholic Institution for Education and Social Development)
- Lembaga Studi Agama dan Filsafat (LSAF), (Institute for the Study of Religion and Philosophy)
- Parpem Persatuan Gereja Indonesia (Parpem PGI), (Coordinating Body for Development Related Activities under the Indonesian Council of Churches)
- Perkumpulan Keluarga Berencana Indonesia (PKBI), (Indonesian Planned Parenthood Organisation)
- Wahana Lingkungan Hidup Indonesia (WALHI), (Indonesian Environmental Forum)
- Yayasan Annisa Swasti (YASANTI) (Women's Organisation)
- Yayasan Daya Pertiwi (Institute of Social Development)
- Yayasan Kemajuan Bangsa - Banda Aceh (YKB), (Foundation for People's Progress in Banda Aceh
- Yayasan Lembaga Bantuan Hukum Indonesia (YLBHI), (Indonesian Legal Aid Foundation)
- Yayasan Lembaga Konsumen Indonesia (YLKI), (Indonesian Consumer Organisation)
- Yayasan Pengembangan Sosial Economis dan Lingkungan Hidup (YAPSEL), (Foundation for Social, Economic and Environmental Development)
- Yayasan Pengembangan Masyarakat Desa Irian Jaya (YPMD-Irja) (Irian Jaya Rural Community Development Foundation)
- Yayasan Mandiri, (Self Reliance Foundation)
- Yayasan Studi Penyadaran Pengembangan Masyarakat "Nurani", (Foundation for Study, Conscientisation and Community Development)
- Yayasan Swagiri Tuban (Foundation for Community Development and Communication)

From IGGI member countries and others:

- Asian Community Trust (ACT), Japan
- Asian NGO Coalition for Agrarian Reform and Rural Development (ANGOC), Philippines
- Asian Regional Exchange for New Alternatives (ARENA), Hong Kong
- Australian Council For Overseas Aid (ACFOA), Australia
- Australian Freedom From Hunger Campaign (AFFHC), Australia
- Broederlijk Delen, Belgium
- Brot für die Welt (BfdW), Federal Republic of Germany
- Canadian Council for International Cooperation (CCIC), Canada
- Catholic Institute for International Relations (CIIR), Great Britain
- Christian Aid (CA), Great Britain
- Comité Catholique Contre la Faim et pour le Développement (CCFD), France
- Development Group on Alternative Policies (D-GAP), U.S.A.
- Environmental Defense Fund (EDF), USA
- Environmental Policy Institute (EPI), USA
- Friedrich Naumann Stiftung (FNS), Federal Republic of Germany

- Humanistisch Instituut Voor Ontwikkelingssamenwerking (HIVOS), (Humanistic Institute for Cooperation with Developing Countries), Netherlands
- Interkerkelijke Coördinatie Commissie voor Ontwikkelingsprojecten (ICCO), (Interchurch Coordination Committee for Development Projects), Netherlands
- International Confederation of Free Trade Unions (ICFTU), Belgium
- Japan Tropical Forest Action Network (JATAN), Japan
- Katholieke Organisatie voor Medefinanciering van Ontwikkelingsprogramma's (CEBEMO), Catholic Organization for Joint Financing of Development Programmes), Netherlands
- Nationaal Centrum voor Ontwikkelingssamenwerking (NCOS), Belgium
- National Wildlife Federation (NWF), U.S.A.
- Natural Resources Defense Council (NRDC), U.S.A.
- Nederlandse Organisatie Voor Internationale Ontwikkelingssamenwerking (NOVIB), (Netherlands Organization for International Development Cooperation), Netherlands
- Pacific Asian Resource Centre (PARC), Japan
- Pro Mundi Vita (International Research and Information Center), Belgium
- Reconsider Aid! Citizens' League (REAL), Japan
- Research and Documentation Centre Women and Autonomy (VENA), Netherlands
- Unitarian Service Committee (USC), Canada
- World Confederation of Labour, Belgium

REPELITA V

This year, INGI focussed on the results of the first four Indonesian Five Year Plans (Repelitas), anticipating the possible implications of the Fifth Five Year Plan, Repelita V, for the areas of concern to INGI.

Whereas the emphasis in the 1988 General Outlines of State Policies (GBHN) was on Peoples' Participation in Development, the emphasis in Repelita V is more on economic management, such as the promotion of non-oil export production in Indonesia. However, non-oil export promotion should be accompanied by fair income and adequate employment policies. INGI strongly recommends that the fruits of development sufficiently benefit the poor and disadvantaged in Indonesia, according to the principle of equity.

In relation to Repelita V, INGI has selected several issues which need to be taken into account in order to promote sound and sustainable development in Indonesia, with particular reference to the situation of the poor and disadvantaged. These issues are: the international relations of Indonesia, peoples' participation, environment and development, and human rights. The case of the construction of the Kedung Ombo Dam in Central Java, which was discussed during the Conference, is used as a reference for recommendations in these fields.

RECOMMENDATIONS

International Relations:

1. In view of the growth of regional economic blocs, INGI recommends that members of the IGGI refrain from supporting protectionist policies.

2. INGI expresses its concern over the debt service of Indonesia, which has been projected to peak during Repelita V. In this regard INGI recommends:
   a. to the World Bank, the Asian Development Bank and IGGI member countries to find ways and means to lessen the debt burden of Indonesia with a treatment in fairness comparable to that given to countries benefitting from US Secretary of Treasury Brady's initiative as far as commercial loans are concerned, and by increasing the grant element of their pledges in the IGGI framework.
   b. to the Government of Indonesia, and as far as Official Development Assistance is concerned, also to the Governments of the IGGI members, the World Bank and the Asian Development Bank, to see to it that foreign resources are spent efficiently and effectively to benefit the poor and to enhance their participation in development.

3. INGI very much appreciates the opportunity to start a dialogue with the Commission of the European Community (EC) and is grateful that the established channels of communication with the EC will remain open in the future. The increasing cooperation in development matters among members of the EC can be a positive step in the forging of a global community. Envisaging the growing responsibility the EC is assuming in relation to third world countries, and particularly Indonesia, it is of the utmost importance to explore in an open dialogue the possibilities of aid provided by the EC to Indonesian NGOs in cooperation with European NGOs.

4. The forced resettlement of around 5000 families related to the construction of the Kedung Ombo Dam is an example of the lack of accountability of the World Bank, not only to the people affected by the project but also to concerned constituencies in other member countries of the Bank.

5. While the World Bank has publicly stated the importance of NGO involvement in Bank projects and policies and has produced an operational manual statement on NGO involvement, there has been little substantial change in World Bank - NGO collaboration. Based on its own experience in cooperation with the IGGI and the World Bank during the last four years, and referring to the recommendation of the Bruntland Commission that "Governments should establish or strenghten procedures for official consultation and more meaningful participation by NGOs in all relevant intergovernmental organisations", INGI recommends that the time has come to integrate NGO input in all aid consortia.

   a. INGI recommends that the World Bank develop concrete mechanisms for NGO involvement such as systematic information dissemination, public hearings, project monitoring and evaluation units.
   b. INGI recommends that one promille of the annual pledge of members of the IGGI will be made available to finance the necessary mechanisms for NGO involvement.

People's Participation

6. The case of the Kedung Ombo Dam in Central Java is an example of the relevance of INGI's recommendations with regard to Peoples'

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Participation in Development, as expressed by INGI in 1988, because effective participation was denied to the community that would be affected by the implementation of the project.

a. INGI, therefore, reiterates that the Indonesian Government guarantees and enforces the rights of local communities to:
   - express objective and critical opinions on Government policies;
   - organise to defend their interests;
   - have full access to information regarding proposed projects;
   - disseminate information to people regarding their rights;
   - seek judicial review of Government decisions, free from interference by the executive branch;
   - have access to legal services at all stages of the development project cycle;
   - form and support peoples' organisations such as NGOs to promote peoples' participation in development and especially in the planning and decision making stages.

b. INGI also recommends the Indonesian Government to monitor carefully World Bank procedures to secure the above mentioned interest and rights of the local communities.

Environment and Development

7. INGI reiterates its concern that Environmental and Socio-Cultural Impact Analyses (EIAs and SIAs) and action plans are not systematically employed in the project cycle of development projects financed by IGGI members, and particularly the World Bank and the Asian Development Bank. A stark example of this was revealed in an internal World Bank document which showed that the World Bank financed Kedung Ombo Dam was approved, planned and constructed without comprehensive regional environmental and resettlement plans ever being completed. Nor were there plans for erosion control of the watershed or plans to protect the area from dumping of pollutants into the river upstream of the dam.

8. Generally, the lack of EIA and SIA and comprehensive regional planning continues to contribute to needless destruction of pristine tropical rainforests and primary wetlands in the outer islands. INGI also finds that the lack of NGO and peoples' participation in projects equally contributes to environmental negligence.

9. INGI strongly recommends that all IGGI members strictly adhere to their own policies on environment, as well as respecting Indonesian environmental regulations and statutes.

10. INGI strongly recommends that IGGI members fully establish EIAs and SIAs as part of every project cycle.

11. INGI further recommends that IGGI members increase their funding for environmentally beneficial projects which will directly benefit small communities, support conservation of critical ecosystems and support projects which encourage biological diversity, and projects which present economic alternatives to large-scale rainforest projects.

Human Rights

12. INGI restates its belief that the demands of those who are socially, culturally, economically and politically deprived can be effectively met only in a society in which basic rights and freedoms are respected. In this regard INGI notices with great concern the deteriorating condition of human rights in Indonesia and the increasing use of violence in managing civil demonstrations of dissent and dissatisfaction as indicated by several recent cases such as the case of Kedung Ombo and of Gunung Balak among others.

13. INGI is concerned over the recent cases of detentions of students and those accused of association with islamic fundamentalism, communism, and separatism, and urges the Government of Indonesia to refrain from detaining people solely on the basis of their political or religious beliefs.

14. INGI expresses deep concern regarding continuing restrictions on basic trade union rights in Indonesia, including interference in trade union activities by the authorities. INGI reiterates its recommendation that the Government of Indonesia lift restrictions on trade union rights.

15. INGI urges IGGI members to include basic human rights criteria in their aid policies.

ATTACHMENT 3

LETTER OF MS. MEDHA PAKTAR ON BEHALF OF NARMADA OUSTEES TO MR. MOEEN QURESHI, SENIOR VICE-PRESIDENT, OPERATIONS, WORLD BANK, MARCH 31, 1989

31 March 1989
Badwani, Madhya Pradesh

Mr. Moeen Qureshi
Senior Vice-President
for Operations
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Qureshi,

I hope you remember our meeting on October 30, 1988 at the Bank's office in New Delhi with about fifteen representatives from villages in the three states to be affected by the Sardar Sarovar Project (SSP). I must say, we were impressed by your openness to our views, your willingness to give us a patient hearing and your serious concern about the issues we presented. To be frank, we were disappointed to hear your dialogue with the national press on the very next day, not only with an almost unconditional commitment to the project, but even some wrong statements (like the project would also solve the drought problem in Maharashtra!). But then we also understand the constraints you might be functioning within during your official tour!

It was also assuring to know from some officials here that as per your assurance to us during our meeting, you did write to the concerned Chief Ministers raising the crucial issues related to resettlement and rehabilitation (R & R) and simultaneously announcing the Bank's decision to review the situation at the end of the first credit period, March 31, 1989, (i.e. today).

We were also happy to note (from what Mr. Alisbah informed us during our meeting and from your further confirmation to some of the international NGOs on return), that the Bank has thought it essential considering changed circumstances and parameters, to "revisit" the economic appraisal for this gigantic project which is still engulfed in controversy.

This letter, which is written to you on the last day of the "wait and see" period for R & R and the first day of the new credit-period, is to give you a first hand account of what has and what has not happened since your visit. A brief narration of the events, I thought, would help you to get a complete and true picture of the situation which the Bank's mission teams do not always get during their short, official visits.

On Resettlement

There is no progress whatsoever either on policy-making or planning for R & R by the three concerned states. A list of provisions, such as those just put out by the Government of Madhya Pradesh, is neither a policy or a plan! But even an exhaustive list of provisions and decisions that could actually be implemented is far from being achieved.

We, the peoples' organizations, have concluded that neither a just policy nor a resettlement plan is possible or meaningful when the governments do not even have the basic resource available -- land for resettlement for those oustees whose property is to be inundated by the Sardar Sarovar waters; not to speak of other categories of affected people to be displaced by Narmada Sagar (NSP), the storage for SSP itself. The situation with respect to land for resettlement is the same: there is none. The repeated statements of the officials not only in private to us, but the official meetings make this self-evident. (Please refer to Annexure-1 and Annexure-2-a,b,c,d: Naramda Control Authority (NCA) proceedings).

(i) No land has been identified in Madyha Pradesh (MP) and the officials continue to press that all of MP's oustees, including the tribals, will be shifted to Gujarat ("whether or not they choose it, it's our policy", declared a responsible official at a recent seminar on the Environmental Impacts of the Narmada Valley Projects held in Badwani in March 1989). Our own surveys have revealed that 90% of the oustees in MP would prefer to stay in their own state.

(ii) Thus, the Government of Madyha Pradesh (GOMP) judgement on 13,000 hectares of land which will be required to settle their oustees in Gujarat as also the total requirement of 15,000 hectares is simply "false" and not based on any recent survey. Reading in between the lines, GOMP seems to be accepting this but the situation on their records is much more formidable than one can assess from the "proceedings." Let me tell you, even the survey of 89 out of 193 villages which they refer to was not in reality conducted on the ground! (Refer to Annexure-2-c; Status-report).

(iii) The quality of resettlement land that may be available to a small percentage of oustees is questionable, especially since it is in small pieces, scattered and uncultivable. This can hardly be acceptable to the oustees especially since the land which they now live on in "Nimad" (SSP-affected region in MP [60 to 70% of the total land to be submerged]) is prime agricultural land, and is said to be the richest agricultural land in Asia.

(iv) GOMP has not brought out anything worth calling a policy or even a "prologue to policy." A list of provisions most of those which are in their earlier statement for NSP are conveyed to people through printed publicity statements distributed (to the villages in the last phase of submergence!) in the name of a local, political organization. With no provision for the landless and other such inadequacies apart, the document clearly says "the oustees will be encouraged to purchase private land on their own!"

(v) GOMP has now, after pressure through NCA meetings, taken a drastic measure! It has issued land acquisition notices to 16 of the first stage tribal villages, applying the clause of urgency, which will have the effect of denying the oustees a right to raise any objection. The matter is now being challenged in the courts by the oustees.

(vi) The situation in Maharashtra is also crystal clear. The Government of Maharashtra (GOM) cannot locate any land in the state to meet the criteria in the Bank's loan agreements or even in the Tribunal Award; except denuded forest land. They claim they have identified 1,173 hectares (that too was suddenly raised recently to 2,500+ hectares, with no basis) of denuded forest land when both the local officials and the oustees know that a large part of it is encroached by other tribals - some of them already fighting for their rights in the courts to keep the land. This land is clearly not available. Even today, the Forest Development Corporation of Maharashtra, the agency that controls this land, continues a long-term afforestation programme and plantation work.

Most important is the fact you will learn from the enclosed document (Annexure-2-d): The Central Government of India (GOI) has rejected the proposal to release the land! A fresh proposal is now said to be sent to GOI by GOM. It this not playing a joke with such a serious human issue as resettlement!

(vii) The situation in Gujarat is more or less the same, except for the price-deals settled for about 3,000-4,000 acres of private land for its own oustees. The purchases have not yet been made. New title deeds remain to be prepared for the land, with deals similarly finalised before a year or more and the oustees' own search for land continues to be the guiding principle for government's plan and "efforts." Claimed by the GOG as a principle of participation, the oustees search for their own land only causes continued anxiety with slowly developing rivalry among groups of families having their eye on the same piece of land. Much more shattering experiences for oustees from Gujarat, however, are yet to come when the farther villages with the majority of Bhils, get into this purchase-fray.

(viii) You will find in the NCA documents that GOG is promising compulsory acquisition of part of the beneficiaries' land through a special enactment. No one acquainted with the socio-political reality in India and especially in Gujarat, believes they would be able to execute such a radical measure even if (and whenever) planned.

The GOG may therefore continue on one hand to accept that the earlier proposed lands (38,000 hectares, at the time of the Tribunal or 65,000 hectares since then, as found by a joint inspection by inter-state teams) are either not available or not cultivable while on the other hand, stating that it has 49,000 and more hectares of command area land even without the necessary legislation being brought in (refer to annexure: 3 - pages from the GOG's latest publicity document, one in a series of the most glittering costly booklets published on Resettlement and Rehabilitation). We see it as nothing short of cheating everyone - the masses, the NGOs, the financers and as treating the affected population as guinea pigs.

The chaotic situation on R & R can be easily concluded from all the above. But if the Bank still depends on formal structures and channels like the Monitoring & Evaluation units (M & E), let me give you some startling facts related to that as well. While for the first time, the reports based on extensive field work have been brought out by the Tata Institute of Social Sciences for Maharashta; these have revealed shocking statistics -- the mortality rate in the only resettlement village of Maharahtra oustees (Parvetha in Gujarat, existing for the last 4 years), has risen to four times that in the previous community or the national average. (Refer to Annexure-4). With this, my authentic information is that the researchers that have put out this report are not being taken to kindly. There is an informal network formed within the NCA and related agencies to ensure that those reports which are "inconvenient" are left out and kept out of the process so that only favourable reports flow in and out to the Bank! The newly appointed inter-state monitoring agency, NICMAR, we all associated with voluntary action in and around Bombay (in Maharashtra) is known to be commercially oriented and charged with dishonesty on many fronts! This is just to warn you on what should and should not be expected from the expensive M & E exercises in the days to come!

We have, Mr. Qureshi, concluded for ourselves that resettlement of the oustees from 193 villages in MP is a task impossible to conceive, and far more so, to execute!

That is why thousands of SSP-affected people are on the roads today, expressing their strong opposition to the project, and to the devastation planned in the name of "development." A major demonstration, involving about 10,000 oustees, took place close to the dam site on Feb. 22nd! The tribals with women (and even infants) had walked down distances as long as 150 km (3-4 days walk) while the non-tribal area came in a caravan of 60-70 trucks. Even though the demonstration was most peaceful, the demonstrators were arrested and the police, during our discussions with them on the right of the arrested to get food and water, unexpectedly resorted to physically beating me and six other activist supporters from three states. We were also arrested. It was only when the thousands of demonstrators refused to budge that we were released. The Gujarat police also used the threat of force and teargas to try and disperse the crowd. Once myself and the six other activist supporters were released, they filed cases against us the very next day with the unbelievable charges of "assault on police" (Indian Penal Code, section 353) and "rioting" (Indian Penal Code, section 147)! Our court date has not yet been set.

There are other experiences we are going through as well, such as the contractor's (Jaiprakash Associates) wireless van following me (to intimidate me, no doubt!); his agents reaching out to the villages in Maharashtra trying (although unsuccessfully) to offer bribes to people worth 10,000 -- 25,000 rupees to move out, as well as to prevent people from joining the rally described above. Additionally, GOG imposed the Official Secrets Act to declare 12 villages (including those joining us in opposition) as "a prohibited area". This action is unacceptable to the project affected people and an infringement on our freedom of assembly. Recently, the Chief Minister of Gujarat has even gone on record to say: "We would bring in military force if needed to repress the agitation."

These events are no doubt keeping us alert and awake, and increasingly committed to the cause of preventing this human (as well as ecological and economic) tragedy! But my point is that the Bank which is expecting NGO-government dialogue, participatory structures and processes, and the "right to know" to be respected, should keep in mind the stark reality and visualise the tribals out in the mountain ranges of "Satpudas" (most of whom had never visited any office or city before) fighting this mighty system and its agents, the greedy contractors with their imperial power, specially employed "goondas" (privately hired police) and "hotlines" to the centers of power who are all out to crush those already on the periphery of Indian society. Whether we, the oustees, succeed in our opposition or are crushed to silence, I would earnestly like you to realise how utopian are the principles and provisions in documents like the Bank loan agreements, in Michael Cernea's recent paper Involuntary Resettlement in Development Projects or the Bank's Operation Manual Statements!

The Bank has, therefore, taken a right step in specifying a time limit for the governments to meet the R & R conditions. The Bank has already postponed the 'deadlines' many times before. It is obvious that the recent deadline has not been kept by the concerned authorities, whatever might have been their submission to you (after the latest meeting on March 30, 1989 when no plan was ready!) No further concessions by the Bank or worse still, financial commitment for R & R (with or without environmental plans) on the part of the Bank would ever be justified! It, therefore, remains to be seen whether the Bank takes a bold step this time or not! The only justifiable step could be to put an immediate halt to disbursements not as a highly secret move but an official announcement of the decision to do so! Merely allowing the demands to be 'carried forward' (just as the provisional clearances issued by the agencies within our country Central Ministry for Environment and Planning Commission continue to do) will be as meaningless as it is to ask for paper-provisions and plans with no guarantee of available land and other resources or an effective and efficient mechanism for implementation! We have started and will continue with a movement of total non-cooperation in the valley with approximately 150 of SSP affected villages--tribal and non-tribal, big farmers and landless people, belonging to all castes and creeds. We are organized and opposing the project!

On Other Issues

Environmental Assessment and Planning

The other issues raised by us are not less important! The still pending environmental studies, the half-baked protection plans, the conditions accompanying the official sanctions still not fulfilled; the official confessions by state governments on lack of funds and staff to execute the environmental plans, the 'official' statements on the changed data including the water runoff in Narmada strongly suggest the environmental destruction that this project is certainly to cause. With all the views yourself and many other economists or 'developmentalists' may be hold on 'environmentalism', no one could deny that these are the very factors that have bearing on the costs and benefits of the project. With everything including the bare minimum data-base, and the basic environmental studies lying in doldrums, we strongly hold that Sardar Sarovar even today is far from being established as a beneficial project for the public good.

Cost-Benefit Analysis/Economic Appraisal

You are already aware of the issues we have been raising related to the already concluded exercises (by the Bank as well as by Tata Consultancy Services, Bombay) in the economic appraisal of the SSP. The issues can be categorized into: a) the incomplete assessments of costs of SSP with some even totally left out (b) the underestimation of many costs and the overestimation of many benefits (c) the aspect of "distributive justice" ignored with the better-off region in Gujarat being mostly benefitted and the hidden facts like those on allocation of water -- 80 to 90% going to 131 cities/town and only the rest to 4,720 villages (d) the false claims on certain benefits -- like "SSP to be a solution to the drought in Saurashtra and Kachchh" which is untrue as evident even from the enclosed map of the command area (Annexure - 7) (e) the bearing that delay of NSP and such other late developments are to have on the costs and benefits of SSP. I hereby commit to write a detailed letter to Mr. Alishah on the specifics of each of these issues.

The decision by the India Division of the Bank to "revisit" the appraisal, therefore, is most rational and needs to be urgently and officially announced! If it is a decision which was taken by serious consideration of the present situation, and if it is to to be executed with due sincerity and objectivity, why delay either its announcement or its execution? To be frank, Mr. Qureshi, I fail to understand how any one of us (or any agency) with faith in democratic processes of decision making could not realise the demand of the hour! It is important that we all stick to our conscience rather than cater to the prestige of any national or multinational agency or its contracts especially since the fate of thousands of people (including the 'beneficiaries') affected in one way or other is at stake and that such unprecedented intrusions into the environment are irreversible!

The project is also facing great difficulty on the financial side. The World Bank alone with its sharing of 18% to 30% of the original costs of dam and power projects, cannot guarantee GOG's ability to invest the rest. As the enclosures will tell you (Annexure - 5, press-note on discussions in Gujarat-Legislative Assembly) hardly 2.23 crores have been collected to date while there are hurdles (Annexure - 6, press-news in Gujarat) in getting GOG's approval for issuing of public debentures for fundraising. The political situation in Gujarat is most unstable today. The investors are found reluctant to cooperate even with high rates of interest being announced! To conclude, therefore, neither is the impact of the project on the Gujarat economy (already under strain and facing a spillover of thousands of crores on irrigation in five year plans) assessed nor is its capacity to match the Bank's investment established.

In these fresh circumstances, therefore, the Bank cannot deny a need for an urgent decisive reappraisal carefully assessing all the above and other aspects which the Bank itself has been considering as crucial for its decision to continue on any project!

I am sorry for sending you such a long letter, knowing how busy you must be. But I have taken this liberty since this may be my first and last letter to you. Also, these issue are not only crucial; they have reached a crisis-point. We hope that Bank staff as modern civilized decision-makers will not decide to wait till there is a sacrifice of lives to come to the right decision on this project. The fight over issues related to SSP no doubt has and will crystalise the intensified struggle not only of the tribals and other poor for survival, against the deprivation of their livelihood and resources which they have been facing for the last few decades. This fight will make all citizens increasingly aware of the distorted concepts and processes leading to such 'development actions', not only in India but in the valleys and hills in almost every corner of the world.

I must stop here, leaving to your rational assessment and conscience and to the Bank's India staff the crucial decision to halt the disbursements on SSP at the very least and hopefully to withdraw from the project altogether when (but not too late to be effective) the Bank's independent assessments and reappraisal conclude what we already have: that SSP is a social, environmental and economic disaster. The Bank's decision will certainly influence the fate of the project regardless of the words spread by GOG or GOI on their determination or ability to go ahead with the project irrespective of the Bank's commitment. It hardly needs to be mentioned that Narmada Sagar is potentially much more disastrous and hence should be dropped from the Bank's list of proposed projects altogether!

Thanking you in anticipation of your response to these urgent issues.

Sincerely yours,

Patkar

Ms. Medha Patkar

SUBMITTED QUESTIONS

Senator LAUTENBERG. Ms. Udall, before we put you on oxygen, you tried so hard to cover so much, and you have, and I appreciate it.

The fact that we are cutting short your presentation does not in any way suggest that there is less significance to it in writing than there is in verbal presentation.

We have questions that we will probably submit to each one of you, and I will not take the time now, again, because the agenda is so full.

We thank you very much. You carry an honorable name when it comes to the environment, and we respect the fact that you are continuing.

Ms. UDALL. We thank the subcommittee for its efforts over the last 4 years.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question. You describe several multilateral bank projects that have had devastating effects on the environment. Why haven't the MDBs been more sensitive to the environmental impact of their projects? Do you see any progress?

Answer. The MDBs have not been more sensitive to the environmental impacts of their projects due to chronic institutional flaws, lack of effective environmental reform, and lack of political will within the institutions, which have prevented the MDBs from not only preventing environmental debacles, but from promoting environmentally sustainable development.

Although two years ago, the World Bank announced a series of sweeping environmental reforms, these reforms have been hampered by deep seated institutional problems. For example, the World Bank created a central environment department and four environmental units in each of the regional offices. Today, because the Bank's re-organization gave more autonomy and authority to the operations regions and country directors the environment department is largely marginalized, and has little input into the Bank's operations. The environmental department has been involved in long term studies and reports which have little impact on or input in the Bank's operations.

The environmental units are institutionally placed so they could be effective, but have not been given sufficient budget or authority to ensure environmental soundness in projects. Staff in the environmental units must be asked by project officers or country directors to get involved in a project. Unfortunately, operations staff have no incentive to involve environmental staff, because that only means a given project will be slowed down in the pipeline, and Bank staff are rewarded for putting together a loan portfolio, not for slowing it down to increase environmental quality.

The World Bank must create career incentives for environmental quality in projects, and give more authority and budget to the regional environmental units. Some of the budget and staff of the central environment department could be redirected toward strengthening the environmental units.

These flaws in the World Bank's environmental review process leave the institution with a completely unsatisfactory environmental record in its ongoing operations, so that for every case where one might find promising changes, one will also find two or three ecological debacles.

In order to be more sensitive to the environmental impacts of their projects, the regional development banks must create environment departments and greatly increase environmental staff. The Inter-American Development Bank (IDB) has only three professional environmental positions, which makes it impossible to review, monitor and supervise the hundreds of proposed and ongoing projects the IDB is financing. The IDB also needs to develop and implement specific polices regarding protection of wildlands, forced resettlement and treatment of tribal people. The Asian

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Development Bank and the African Development Bank also must greatly increase their environmental staffing and create environment departments which responsibility for environmental review of projects. The regional development banks must also create career incentives for environmental quality in projects.

Another reason why the MDBs have not been more sensitive to the environmental impacts of their projects is the systematic failure to involve and consult local communities who are directly affected by the projects. The MDBs need urgently to work more closely with groups in developing countries that are trying to conserve resources and land which are of global importance. Over and over, we encounter development debacles that could have been avoided if the Bank and the borrowing governments had bother to involve local communities in the design, implementation, monitoring and supervision of projects. This is particularly urgent in projects involving forced resettlement of tribal people, where affected populations in Brazil, India and Indonesia (see statement of Lori Udall before Senate Subcommittee on Foreign Operations, Appendix, Page 9-19) have been driven to mass civil disobedience to protest negligence in resettlement planning and implementation due to lack of consultation and communication with affected communities. We have concluded that unless the World Bank and the other MDBs reform their operations to regularly and systematically involve local non-government organizations (NGOs) and community groups, they will continue to finance activities that are ecologically and socially unsound.

There has been some progress in the MDBs on environment. For example, In Indonesia, the World Bank has worked behind the scenes to convince the Indonesian Government to redirect funds for Transmigration towards rehabilitation of existing settlement sites and away from colonization of pristine tropical forest areas. In Brazil, the World Bank tabled its proposed Second Brazil Power Sector Loan and is preparing instead a $300 million "Environmental Reform and Energy Conservation" Loan to the power sector. However, it is too early to know whether the loan will involve a fundamental change in the design of the power sector investment plan, which calls for the construction of 136 dams by the year 2010. While acknowledging some progress, it is discouraging that reforms or suspensions of environmentally and socially unsound Bank projects often take place only after tremendous international protest and controversy, rather than as a result of the Bank's own environmental review process.

Question. Are you suggesting that the United States reduce or withhold its contributions to the multilateral banks until they change their environmental policies? Wouldn't this reduce our influence in those institutions?

Answer. Appropriations for the MDBs should be accompanied by strong directives to the U.S. Treasury for a much more vigorous approach to environmental reform, especially in critical areas such as energy policy and efficiency, halting deforestation, more effective and increased environmental staffing, and involvement of NGOs and local populations in the project cycle. We believe that future increased appropriations to the MDBs should be conditional on the MDBs demonstrating substantial improvement in their environmental record. If within one year, the Treasury cannot demonstrate substantial improvement, then the Subcommittee should act to withhold funding from the MDBs.

In the IDB, the Subcommittee should insist that crucial environmental reforms are in place prior to approving increased appropriations next year. These include the creation of an adequately staffed environmental division, the creation of policies on protection of wildlands and forced resettlement, a mechanism for systematic involvement of NGOs and local communities at all stages of the project cycle.

Question. What effect would this have on those institutions' ability to participate in Secretary Brady's debt reduction plan?

Answer. MDB Appropriations should also be accompanied by strong directives to the U.S. Treasury to ensure that debt relief initiatives in the MDBs and the IMF under the Brady Plan are linked to incentives for indebted nations to conserve endangered natural resources. The Subcommittee should direct Treasury to promote that each MDB designate staff responsible for ensuring this link and for participating in country negotiations on debt relief.

STATEMENT OF FRANCES SPIVY-WEBER, DIRECTOR, INTERNATIONAL PROGRAM, NATIONAL AUDUBON SOCIETY

Senator LAUTENBERG. Ms. Spivy-Weber.

Ms. SPIVY-WEBER. On behalf of the over half million members of the Nation Audubon Society, both national and international members, I appreciate this opportunity to testify.

We are starting a new decade with the 1989–90 appropriations, and we think that we have had several years of national and international discussion and affirmation of the importance of the environment over the last few years. Now we need to act on that information.

From the request to Congress it appears that the administration still thinks that the best foreign aid program is one that emphasizes military assistance and political assistance and that the international agriculture, population, environment, health, the development accounts play only a minor role in securing our national and global future.

If the administration is not going to change this approach to foreign aid, we hope that Congress will show the bold leadership that is necessary to do so. We are under no illusion that shifting this kind of funding will be easy or without controversy. We would have preferred that the administration take the lead on this.

This last decade of the century is a good time to take a fresh look at the depth of public support for a proposed shift in priorities. The Gallup Polls and other polls are showing that the public does support guarding the environment. It is clearly a popular issue.

We are well aware of existing political and military obligations, however. These were in place last year and for the past several years. But the military and political commitments in the future promise to be different again. There are many changing events that make it, we hope, easier for leadership to be taken by the Congress.

Among the things that we think need to be done is that we think that a $600 million shift should take place from the military assistance side of the foreign aid budget to the development assistance side.

We also think that Congress should raise the funding level for family planning. We have recommended $478.7 million. Now, this is much—over twice as much as the administration has requested. But we also think that the problems associated with population growth in Third World development must be taken care of if our development assistance is going to do what it is designed to do.

We think that Congress should increase its funding of ecologically sustainable agriculture programs. We recommend funding of at least $500 million and I believe Tom Stoel will also be testifying a bit more about the details of this.

We would like for Congress to insist that U.S. aid give a more complete account of its expenditures in energy, environment, and natural resources.

Right now money is appropriated into the agriculture program, into energy and environment, small amounts in energy and environment, but it is often very difficult to decide exactly how money is being spent, for instance, in the Africa program or in the agriculture program and we have suggested that there could be a special account for environment, energy, and natural resources or short of that there would be a way of tracking it more easily.

We think that $20 million appropriated to the U.N. Environment Program is a very good bargain. They are working on the ozone treaty. They also are taking up the CO_2 treaty on hazardous waste. It is a very good economical way for us to get ahead of those programs, and we would like for Congress to give special emphasis to biodiversity.

PREPARED STATEMENT

There are a number of accounts in the IO&P account now that deal with biodiversity, but there are some that are within the State Department budget that should be added to this account and given special attention. One is the International Tropical Timber Organization. Another is the Caribbean Action Plan and also the convention that protects wetlands, which I know is something that you are quite interested in. CITES should get more money as well—$750,000 is what the House has recommended.

[The statement follows:]

STATEMENT OF FRANCES SPIVY-WIBER

On behalf of the over half million national and international members of the National Audubon Society, I appreciate the opportunity to submit testimony on funding levels for foreign assistance. With the help of Audubon members and other concerned citizens, Audubon developed a series of recommendations on future directions for foreign assistance programs. These were presented to Congress in the Message to Congress, January, 1989. Our network of 510 chapters and nine regional offices and other cooperating organizations are now actively working to see that these recommendations for a sustainable future are adopted.

A New Decade/New Challenges

The FY89/90 appropriation will start the next decade of funding for our government's foreign assistance program. We have had several years of national and international discussion and affirmation of the importance of treating this last decade of the century with special care. These are some of the important facts with which we are working:

* Demographers tell us that there will be a billion more people as we enter the year 2001, and over five billion additional people by 2025.

* Lester Brown warns in WorldWatch (November/December, 1988) that this year the drought-damaged U.S. grain harvest will fall below consumption demand, probably for the first time in history. In the event of another drought, U.S. grain exports will slow to a trickle, and the world will face a food emergency for which there is no precedent in the decades since North America emerged as the world's breadbasket.

* Scientists concur that climate changes are in store for the world, and there are two major human-induced causes: "the greenhouse effect" and potential changes in stratospheric ozone. The industrialized world carries the bulk of the burden of addressing this problem by changing its use of energy, but there are actions that must be taken in the Third World, too. Global ecosystems will feel the impact of global change, and no one is prepared.

* Biodiversity and tropical forests continue to disappear at record rates in spite of the international publicity and concern.

FY89/90 Appropriations Look Like Business as Usual.

From the request made to Congress it appears the Administration still thinks that the best assistance program is military sales and political payments, and that international agriculture, population, environment and health programs have a relatively minor role to play in securing our national and global future.

Bold Leaders are Needed

The National Audubon Society members disagree with the Administration's priorities for foreign assistance appropriations, and we urge that Congress lead in having them reordered. Sustainable development must be established as the U.S. policy theme in the 1990s. To do this we recommend transfering $600 million from military to development assistance to launch a vigorous, new bilateral and multilateral development assistance program in agriculture, energy, environment and natural resources and population.

We are under no illusion that such a shift in funding will be easy or without controversy. We would have preferred the Administration take the lead on this, but if the Administration is not going to lead, we must look to Congress to be bold. This last decade of the century is a good time to take a fresh look at the depth of public support for this proposed shift in priorities. The latest Gallop polls recomfirm many earlier polls to show the public very concerned about the environment and the future. We want to help you meet the challenges of the 1990s. If we wait for the Administration, we will lose another year or maybe more, and we do not have the time.

We are well aware of existing political and military obligations; these were in place last year and for the past several years. Many of the military and political programs are from eras that have passed or are passing. Again we need your leadership to take advantage of these political changes and to move quickly into more appropriate programs for the world of the 21st century.

We are well aware of the perception on the Hill that foreign aid is not a popular budget item, that it needs the military and political funding to pass. When was this last tested? We think now is the time. If not now, when?

Ecologically Sustainable Foreign Assistance

To achieve ecologically sustainable development, the National Audubon Society recommends the following:

1) Congress should raise the funding level for Section 104(b), family planning, to $478.7 million, and Congress should reaffirm its mandate that 10% of the Development Fund for Africa be allocated to population and family planning.

The International Population Task Force of Blueprint for the Environment has looked at the needs for international population assistance into the 1990s. The U.S. currently provides a little less than 10% of the global expenditures on population and family planning, and this effort is underfunded. Dr. Joseph Speidel of the Population Crisis Committee estimates that in order to provide family planning services for an additional 250 million couples at $20 per year, total expenditures from all donors must increase by $5 billion a year. To keep in step with these needs for family planning services and population policy assistance, the U.S. must allocate a minimum of $500 million for population beginning in 1990.

2. Congress should increase its funding of ecologically sustainable agriculture programs to at least $500 million.

In Audubon's Message to Congress, we recommended $655 million appropriations for sustainable agriculture. We are members of the Committee on Sustainable Agriculture for Developing Countries, a group of professionals led by Ambassador Robert Blake, and we have agreed with the Committee to support their recommendation this year of a lower figure and to work for increased focus on sustainable agriculture projects within the current USAID program. We are particularly interested in giving direction to the BIFAD program to emphasize sustainable development. Universities are among the best equipped organizations to address the needs of the future, and they should be asked to use their considerable resources for this end.

3. Congress must insist that USAID account for its expenditures on energy, environment and natural resources in its agriculture program and in programs outside agriculture.

In addition to ecologically sustainable agriculture programs, USAID has authority to develop energy programs, biodiversity and tropical ecosystem conservation programs, and programs that address effective regulation and control of pesticides. Their portfolio of central programs on forestry, biological diversity, and energy amounts to about $15 million. They also report they are spending several hundred million dollars in both agriculture and nonagriculture natural resource programs, but it is very difficult to account for these programs without a separate account. Because it is so difficult to assess current effort, we are recommending a conservative $153.4 million for these nonagriculture environment, energy, and natural resource programs in addition to 10% of the Development Fund for Africa. It may be necessary to raise this figure significantly when the program is pulled together under one roof and evaluated.

4. The United Nations Environment Programme should receive $20 million.

Mr. Chairman, as you have observed, it makes a great deal of sense in a tight budget year to provide additional funding to multilateral organizations working to achieve our nation's commonly shared objectives. The United Nations Environment Program (UNEP) is a leader in the world community on global change issues, hazardous waste, chemicals in international trade, and ocean protection. They also work hard to add constituencies to the ranks of those concerned about the environment. Business and religious leaders are part of this new constituency. A healthy increase in UNEP funding will send a message to governments around the world and to these new constituencies that the U.S. is committed to a sustainable future. And, as I said last year when testifying for UNEP's appropriation, funding invested in UNEP's program is one of the best environmental protection and conservation bargains in the world.

5. Congress should give special emphasis to conservation of biodiversity by having the State Department establish a biodiversity account in the International Organization and Program Budget. Funding in this new account should cover all existing agreements and protocols that protect biodiversity.

Currently the IO&P Account has a small line item for the Convention on Interational Trade in Endangered Species of Wild Fauna and Flora (CITES) and the World Heritage Convention. We are asking that you appropriate into one account funds for these agreements and other agreements that are not now funded: the International Tropical Timber Organization, Caribbean Action Plan, and the Convention on Wetlands of International Importance especially as Waterfowl Habitat. The total amount Audubon is asking for in this new account is $4 million. This would represent to the world a substantial increase in our government's commitment to biodiversity, but like the UNEP program, it can be done for a relatively small price.

Summary

Peter Berle, President of National Audubon Society, in his recent testimony to the Foreign Affairs Committee on the Foreign Assistance Act reauthorization was outspoken in his conviction that there must be a reevaluation of the concept of national security by all nations. I will use a quote from this statement as a summary of Audubon's appropriations request.

"Historically, national security has been closely related to the development of sufficient military strength to defend against aggression or to protect national interests around the globe...We are learning now that environmental protection and sound resource use is at least as important...The challenge for all of us is to create policy guidance and legislation that protect the environment and conserve human and natural resources so that our own national security is preserved. For this reason Audubon recommends a transfer of $600 million from the military assistance category to development assistance in the areas of population, agriculture, energy, environment and natural resources."

SUBMITTED QUESTIONS

Senator LAUTENBERG. Thank you very much, Ms. Spivy-Weber, from this long-time member of the Audubon Society. I appreciate the thrust and the interest of the society, and I thank you for your testimony.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

INTERNATIONAL POPULATION PROGRAMS

Question. You suggest an appropriation of $500 million for international population programs. The Administration is requesting slightly more than $200 million. Where would you target the other $300 million?

Answer. A.I.D.'s contribution to international population assistance has declined in real terms from $110 million in 1975 to $102 million in 1987 (in constant 1975 dollars). The demand for family planning services is far beyond what is being provided today and all indications are that there will be a tripling of that demand by the year 2000. There are reports that during the past year the demands for contraceptive procurement increased by 50%. In addition, the need for condoms as a result of the Acquired Immune Deficiency Syndrome has added to that demand.

We would target additional funds by first doubling the funding for programs in policy development, service delivery, contraceptive procurement, biomedical and operations research, and training which are currently provided through the centrally-funded A.I.D. Office of Population. The office funds cooperating agencies in Brazil, Colombia and Mexico, countries which account for over 50% of the population of Latin America. The office also provides essential technical assistance and training to many other countries globally which do not have bilateral programs.

In addition, there is a need to develop new programs in contraceptive research, private enterprise, long-term training for institution building purposes, and policy development in the field of population and environment relationships. Based on the requests our organization receives in the last area, we would target a beginning figure of $10 million just on population and environment. All of these programs alone could account for $50 million in additional funds.

Bilaterally funds could be used to increase activities in high population growth countries in Asia, Africa and the Near East. Bangladesh (114 million growing at 2.8% per year); India (835 million growing at 2.2% per year); Nigeria (115 million at 2.9% per year); Tanzania (26 million growing at 3.6% per year); Haiti (6.4 million growing at 2.2% per year) and Bolivia (7.1 million growing at 2.6% per year) are examples of countries which represent that expanded demand for population funds. There is also a strong need for a regional program for small countries' selected activities such as Algeria and Yemen.

POPULATION GROWTH IN AFRICA

Question. The Administration says it is doing all that local institutions can manage effectively to control population

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growth in Africa. Do you agree? Where would you suggest targetting more population funds for in Africa?

Answer. We do not agree that the absorptive capacity has been reached with regard to the provision of family planning services or design of population policies in Africa. In fact, through our own visits and meetings with Africans the opposite appears to be true. Under the current Development Fund for Africa structure, bilateral Missions are forced to make choices between program pressures. They may end up choosing to fund an agriculture program rather than population because there is not enough money for both and they are more familiar or comfortable with the former than the latter. Furthermore, there are still A.I.D. Missions which do not have population officers to develop projects with country counterparts.

Additional monies for Africa would be targetted in four basic areas: expanded centrally-funded support, regional initiatives; human resource development; and enhanced bilaterals in key countries. The expanded centrally-funded support would include those areas highlighted in the previous response -- more services through the private sector and non-governmental sources, more research for better delivery systems. A regional intiative of a minimum of $20 million could include contraceptives, the cost of starting new projects, and small projects under $1 million in such countries as the Central Africa Republic, Cape Verde, Chad, Comoros, Gambia, Guinea Bissau, Sierra Leone, Congo, Liberia, and Swaziland. Human resource development is a key to institution building. A minimum of $10 million to expand the technical capability of Africans to design, plan and manage their own programs is a critical part of this process. Finally, there indications that countries like Zaire, Uganda, Tanzania, Nigeria, and Cameroon are ready for enhanced bilateral programs in population and family planning. We would target funds toward the development of such programs.

BIODIVERSITY TREATIES

Question. You have also suggested a significant increase for the US contribution to the Convention on International Trade in Endangered Species (CITES), from $650,000 this year to $4 million. I agree that we should be supporting this important convention. How would CITES use these additional funds? How does the US contribution to CITES compare to other donors?

Answer. The $4 million recommended by Audubon is for several treaties and agreements that seek to protect biodiversity, including CITES. Currently there is line item funding for CITES and the World Heritage Convention. Three additional biodiversity agreements to which we are parties, but for which there is only a minor budget commitment through the Conventions account are the International Tropical Timber Organization, the Convention for the Protection and Development of the Marine Environment of the Wider Caribbean Region and Caribbean Action Plan, and the Convention on Wetlands of International Importance especially as Waterfowl Habitat.

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Audubon urges the Senate to ask the State Department to recognize the importance of conservation of the world's plant and animal species. One very quick way they can do this is by pulling their biodiversity activities into a single line item account which can be more effectively monitored by Congress. Future funding requests to Congress would be presented under this new biodiversity category, and the dollars allocated to the request would be one measure of the commitment of the State Department this environmental priority.

Within this new account, $750,000 is requested for CITES. This amount will make us current on our contribution to this Treaty. We are leaders in this Convention, which was drafted in Washington D.C., and our contributions are in line with our leadership role. The World Heritage Convention request is $250,000. The remaining $3 million should be focussed on the Timber Agreement and its research program and the Caribbean Convention and Plan. Some funding ($100,000) for the Wetlands Convention is provided by the Department of Interior, and some of this should be offset by State.

STATEMENT OF THOMAS B. STOEL, JR., DIRECTOR, INTERNATIONAL PROGRAM, NATURAL RESOURCES DEFENSE COUNCIL

Senator LAUTENBERG. Mr. Stoel.

Mr. STOEL. Thank you, Mr. Chairman. It is a pleasure to testify before this subcommittee. I am Thomas B. Stoel, Jr., director of the international program at the National Resources Defense Council. Today, I am also testifying on behalf of the Committee on Agricultural Sustainability in Developing Countries, chaired by former Ambassador Robert Blake, who unfortunately could not be here today.

In this brief oral statement, I will make recommendations concerning two crucially important issues, global warming of the atmosphere and sustainable agriculture. Global warming, due to the greenhouse effect, is almost certainly the most serious environmental problem the world faces. The scientists tell us that unless actions are taken to reduce global emissions of greenhouse gases, we face a grim future in which global temperatures rise to levels that destroy agriculture and forests while the rising sea level devastates our coastlines.

Although most greenhouse gas emissions now come from industrialized countries, the developing countries also must act if we are to solve this problem. For example, developing country emissions of carbon dioxide from burning fossil fuels and forest clearing must be diminished below projected levels if they are not to defeat the global objective of minimizing global warming.

The changes in energy and forestry policies required to reduced CO_2 emissions fortunately are the same as those needed to support sustainable development that meets human needs in a sustainable manner.

The world development aid agencies have a very important role to play if these energy and forestry policies are to be adopted in the time we have available.

Unfortunately, neither the U.S. Agency for International Development nor the World Bank is addressing this problem at all. They must begin to do so quickly and effectively.

Specifically, we recommend that you require that AID make global warming an integral part of its energy and forestry programs and spend at least $20 million of its central funds on actions to help developing countries increase their energy efficiency and their reliance on renewable energy sources.

The World Bank at present is actually exacerbating the global warming problem through its support for fossil fuel energy systems in developing countries. This committee should direct the Treasury to urge the World Bank and the other MDB's to place the highest emphasis on assisting countries to meet their energy needs in ways that minimize CO_2 emissions. The bank's forestry efforts also should be redirected toward this goal.

The central international organization on global warming is the U.N. Environment Program. UNEP is doing an excellent job, and the United States must give it adequate support. We recommend a U.S. contribution of at least $20 million for fiscal year 1990.

Sustainable agriculture presents an equally great challenge. It is estimated that 35 percent of the people on Earth go to bed hungry each night. At the same time, the numbers of people in these very same countries is growing rapidly, and the agricultural systems are being undermined by soil erosion, deforestation, and loss of fresh water supplies.

The enormous challenge before us is to meet the food needs of these billions of people without ruining the natural resource base on which future food production necessarily depends. Development aid agencies can play an extremely important role here both by working with decision makers in these countries to ensure sound agricultural policies and by supporting and disseminating the results of on-the-ground projects that demonstrate sustainable agricultural methods.

PREPARED STATEMENT

The U.S. Agency for International Development has a comparative advantage over other agencies in both these areas. Unfortunately, the administration is recommending a substantial cut in AID's agriculture budget for fiscal 1990 to $478 million. We think it is essential that this budget be increased at least to $500 million.

Thank you very much, Mr. Chairman.

[The statement follows:]

STATEMENT OF THOMAS B. STOEL, JR.

I. Introduction and Overview

Mr. Chairman, I appreciate the opportunity to testify before this Subcommittee on matters relevant to protection of the international environment. I am Thomas B. Stoel, Jr., Director of the International Program of the Natural Resources Defense Council (NRDC) and Chair of Project Blueprint. This testimony reflects contributions by my NRDC colleagues David Wirth, Steven Parcells, and Glenn Prickett.

NRDC is one of the Nation's leading environmental organizations, with more than 100,000 members located in every state and many foreign countries. Project Blueprint, of which I am Chair, has been a major cooperative effort of the U.S. environmental community to recommend to the Bush Administration the actions needed to address the full range of national and international environmental problems.

NRDC has been working for more than a decade to encourage progress on international environmental issues. In that time, Mr. Chairman, this Subcommittee's close attention to these issues has been crucially important. However, much more remains to be done, and we look forward to cooperating with you.

Because of the breadth of the Subcommittee's jurisdiction, I will recommend actions to address a number of issues, each extremely important to the world's environment. They include:

- Depletion of the stratospheric ozone layer and global warming, the most serious environmental problems which the world has ever faced, and the actions the United States must take to deal with them.
- Needed changes in the bilateral U.S. aid program, including additional actions to address the problem of global warming and prevent resource degradation in Africa, leadership in sustainable agriculture, a $10 million earmark for efforts to prevent the extinction of millions of wildlife species, and continued U.S. leadership in the field of population assistance.
- Additional actions to improve the environmental performance of the multilateral development banks.
- Actions to reduce the debt burdens of developing nations.
- The necessity of a much larger U.S. contribution to the UN Environment Program, the only worldwide environmental agency and the only one capable of dealing with many crucial problems.
- Adequate funding for the Convention on International Trade in Endangered Species and the World Heritage Fund.

II. Global Warming

I want to begin with the problem of global warming of the atmosphere because this is an issue which requires immediate, worldwide action if we are to ensure the future habitability of our planet. Of all the issues addressed in the year-long Project Blueprint effort, I believe global warming was felt to be the most important. We stated in the Project's Summary Report, and reiterated in our November 30 meeting with then President-Elect Bush:

> "Despite growing scientific evidence that the greenhouse effect is real and pleas by leading scientists for governmental action, our Government until recently has insisted that the only need is for further research. Yet science has identified many of the steps that are needed to hold global warming within tolerable limits. We must begin to take those actions now or pay a terrible price for delay."

A. The Problem: Our Planet at Risk

There is an increasing scientific consensus that the earth is irrevocably committed to a rise in global temperature greater than any in recorded history. The National Academy of Sciences has estimated the potential increase in the next 50 to 100 years at between 2.7 and 8.1 degrees Fahrenheit. At the low end of this range, the increase will bring global average temperatures to a level not seen in 6000 years. At the high end, we will have to adjust, within less than a century, to average temperatures not seen since the Age of the Dinosaurs.

Among the certain consequences of global warming are sea level rise as oceans expand and polar ice melts; extraordinary changes in weather and rainfall patterns and distributions of forests and plant life; and disruptions in current agricultural patterns. The question in every case is not whether these effects will occur, but how much and how fast. The impacts will be neither smooth nor gradual nor predictable.

The consequences are mind-boggling:

- A two-foot rise in sea level, within the range of current predictions, would destroy 80% of U.S. coastal wetlands, inundate 20% of the inhabited land of Egypt, force salt water into coastal drinking water systems, cause massive, sudden and -- given coastal storms -- violent changes in the economy and usability of shorelines worldwide.

- One U.S. Government model predicts a tripling of the number of days above 95 degrees Fahrenheit in the Corn Belt if the average temperature globally rises only a relatively moderate 1.7 degrees C (3 degrees F). At critical points in the growing season, such conditions are certain to reduce yields and would change existing patterns of agriculture.

- The U.S. Corn Belt would not simply move north. Differences in soil suitability and the availability of water, to say nothing of infrastructure, suggest that the agricultural economy would fall seriously out of balance not only in North America but all over the world.

- Global average changes will mask more dramatic regional changes, especially at the middle and higher latitudes, where a 4.5 degree F global average increase might mean a 10 degree increase on a regional basis.

While the extent and consequences of global temperature rise are matters of scientific debate, the overall trend is not under serious challenge. Nor is the cause. One of the most respected atmospheric scientists, Dr. Stephen Schneider of the National Center for Atmospheric Research, has said: "The greenhouse theory is the least controversial theory in atmospheric science." In fact, some scientists believe that global warming has already begun. Average global temperatures in the 1980s are the highest measured in the 130 years since reliable records have been kept.

The greenhouse gases that cause global warming include carbon dioxide, nitrous oxide, chlorofluorocarbons (CFCs), and methane. All are on the increase in the atmosphere as a result of human activities since the Industrial Revolution. Carbon dioxide and nitrous oxide are emitted by burning fossil fuels; CFCs are artificial compounds used as refrigerants, solvents, foam-blowing agents, and aerosol propellants; increases in methane emissions may be related to intensification of agricultural activities to meet the needs of growing populations.

Current emissions of these gases far exceed the ability of forests and oceans to absorb them. Every year, fossil-fuel combustion generates five billion tons of carbon emissions. Natural mechanisms remove only about half the total. Atmospheric carbon concentrations have increased from their historical level of about 270 parts per million to about 345 parts per million. Atmospheric methane concentrations have more than doubled in the past 300 years, from 680 to 1650 parts per billion, and concentrations have been increasing by more than one percent per year in the past decade.

Despite a U.S. ban on their use as aerosol propellants since 1978, worldwide demand for CFCs is increasing rapidly. Since the CFCs of greatest concern remain in the atmosphere 75 to 110 years, a quick, worldwide phaseout of CFC use is essential.

Carbon dioxide now accounts for about half of the warming effect. Scientists tell us that deep cuts in worldwide CO_2 emissions -- cuts of 50% or more -- will be necessary to hold global warming within tolerable limits.

B. The Need for Immediate Action

The discussion of global warming has tended to focus on the consequences of a doubling of atmospheric carbon dioxide from levels of a century ago to 550 to 600 parts per million, the level expected sometime before the middle of the next century at current growth rates. But in fact we probably have begun already a long-term, indefinite period of climatic instability, which will have devastating consequences.

One example concerns our Nation's forests. George Woodwell, Director of the Woods Hole Research Center in Massachusetts, has called the world's forests "the great biotic flywheel that keeps the biosphere functioning as a place suitable for life as we know it." Dr Woodwell suggests that global warming will make North America unsuitable for both the southern deciduous forests and the northern boreal forests. Expansion of grasslands into these areas -- the death of forests along climatic borders -- would be quite sudden. The re-establishment of deciduous forests in more northern latitudes probably would not occur as fast as climatic changes.

Absent human needs, these sudden changes in the biosphere would have consequences only for the dying trees and related plant and animal communities. Over the course of many centuries, new forests and new species would emerge elsewhere in response to the new physical realities.

But human needs and global economy do not have the luxury of the long view. The sudden disappearance of the U.S. Corn Belt or our southeastern forests would be a human catastrophe. Those who counsel delay until science answers every last question, and those who rely on adaptive responses to keep pace with the results of climate change, are living in a fool's paradise.

NRDC believes the gigantic global experiment of global warming must be slowed and then halted. Delaying the rate at which warming occurs will reduce its consequences and buy time for humanity to alter energy use and other activities so as to limit emissions of these gases to levels which cause no further warming.

There are ways of doing this. But they require that we start immediately. Further delays in undertaking the necessary actions will result in additional adverse consequences and require more draconian measures in the future.

C. What We Must Do

There is wide agreement about the actions needed to slow and minimize global warming. First, the world must virtually eliminate the use of CFCs that are damaging the stratospheric ozone layer and contributing to global warming. The pathbreaking Montreal Protocol agreed to in September 1987 should not lull us into a false sense of security. As noted above, the scientific evidence now shows that we must stop using these substances altogether.

A second great need is to lower carbon dioxide emissions by reducing reliance on fossil fuels through greater energy efficiency and increasing use of renewable energy sources. Without great improvements in energy efficiency, the global economy will rely increasingly on coal, the greatest source of additional emissions of carbon dioxide.

Highly relevant to the work of this Subcommittee is the fact that, if present trends are allowed to continue, the developing nations will burn much greater amounts of fossil fuels and account for a much greater proportion of global CO_2 emissions. Unless they participate from an early stage in efforts to minimize emissions, their activities alone could defeat the worldwide goal.

Reducing the rate of deforestation also will lower carbon dioxide emissions, while planting trees on a massive scale will soak up atmospheric CO_2. At present, the global area under forest is declining as tropical forests disappear, and this deforestation is thought to account for 15-25% of global CO_2 emissions. Development aid agencies can play an important role in reversing this trend.

Mr. Chairman, immediate, vigorous actions of these kinds could hold global warming to tolerable levels. This will not be easy; this challenge may be the greatest the human race has ever faced. If we are to meet that challenge, the United States must be a leader.

Unfortunately, our Government is not responding adequately. The United States is currently pursuing a course of international negotiations that could take us out to 1995, or beyond, before our country or any other is actually required to do anything about this problem.

This Subcommittee, therefore, should call on the State Department and other agencies to urge other industrialized nations to join with us in reducing carbon dioxide emissions at least 20% by the year 2000, and to begin the necessary actions immediately; to raise the issue whenever possible in bilateral discussions with foreign governments, especially key actors like the Western Europeans, Japan, China, and the Soviet Union; and to make the global warming problem a high priority for all relevant international organizations.

We also urge you most strongly to adopt the specific recommendations which appear below concerning the U.S. bilateral aid program, the multilateral banks, and the UN Environment Program.

III. The U.S. Bilateral Aid Program

NRDC has been working for more than ten years to influence the U.S. Agency for International Development toward greater emphasis on environmental protection. During that time, AID has become the recognized leader among the world's development aid agencies in addressing environmental problems. AID is still doing a number of good things. But I have never been so apprehensive about the lack of leadership within the Agency on these issues, an apprehension that is reinforced by the recent, tragic death of Administrator Woods.

We confront the problem of global warming, which could erase nearly all development gains. We face galloping deforestation, accelerating desertification and soil erosion, and increased pollution that threatens health and productivity in many developing nations. Population growth threatens to outstrip production gains and place unsustainable pressures on the natural resource base. For AID, which has a proven capability to address these problems, to decrease its efforts at this time would be unthinkable.

Yet there is little sign that the leaders of the Bush Administration and the Agency recognize the seriousness of these problems. I am not sure whether President Bush has ever mentioned AID in public. The only recent, high-level policy perspective from the Agency is a February report entitled "Developing Countries and the National Interest: U.S. Economic Assistance into the 21st Century." That report damns AID's past efforts and proclaims free enterprise to be the answer. It scarcely mentions AID's environmental protection efforts and does not even refer to the enormous environmental problems faced by developing nations and the world as a whole.

The FY 90 budget proposes "business as usual" on the environmental, energy, and population fronts. It is especially deficient in failing even to recognize the global warming problem, and calls for no actions to address that problem despite the attention this Subcommittee directed to the problem in the FY 89 appropriations bill and report.

The Congress must correct this situation. This is no time to pussyfoot. **The Agency appears to be moving in the opposite direction from what is required to ensure the livability of our planet, and must be redirected.** Project Blueprint, the combined effort of 18 major environmental groups with a total membership of over 7,000,000, recommended that:

> **"our bilateral foreign assistance be focussed on helping nations achieve sustainable development by:**
>
> *** Enhancing their agricultural resource base and promoting environmentally sound food production.**
>
> *** Meeting their energy needs in ways that are environmentally sustainable, with an emphasis on**

energy assistance designed to meet human needs while minimizing global warming.

- **Conserving tropical forests and biological diversity.**

- **Stabilizing population growth.**

We should target much of our family planning, agricultural, and forestry aid on sub-Saharan Africa, the region of the world closest to environmental disaster. In Central America, U.S. assistance should be redirected toward activities that support sustainable development. Our aid should feature small-scale, local projects designed to help people help themselves. These projects should be selected with an eye toward replicating them on a wide scale if they prove successful. We should use our influence with other aid-giving nations to get them to focus their aid on similar objectives."

This Subcommittee should help make this happen by insisting that AID do more in three key areas -- energy and forestry actions to deal with global warming, wildlife protection, and population assistance. In addition, you should require that AID maintain the Africa Fund and continue to provide substantial environmental assistance to Africa.

A. Energy and Global Warming

AID is well situated to help developing nations meet their energy needs in ways that minimize carbon dioxide emissions. Yet AID's energy program for FY 90 is extremely small and is not focussed on this goal. AID has no policy or program for responding to the global warming problem, and seems to have ignored completely the suggestions for increased action which you included in the 1989 appropriations bill. This Subcommittee should firmly direct AID to:

1. Expand its energy efforts and focus them clearly on energy conservation and renewable energy sources. This requirement should apply especially to ESF countries, where AID is still helping nations develop fossil-fuel energy systems which exacerbate the global warming problem, and to the "key" developing nations discussed below.

2. Identify "key" developing nations (such as China, India, Mexico, Indonesia, and Brazil) that are especially crucial to solving the global warming problem; direct AID Missions located in those nations to work with them to develop energy policies and programs to address the issue; and find ways to undertake similar efforts in nations where AID does not have Missions, including major middle income nations.

AID should help these key nations develop energy plans that employ end-use analysis to identify cost-effective actions to minimize reliance on fossil fuels. Nongovernmental organizations and academic institutions must be involved in this planning. Plans of this kind also should be developed with AID assistance in each of the major ESF countries: Egypt, Pakistan, the Philippines, and Turkey.

When these plans have been developed, AID should work with the countries involved and with other donors to get the plans implemented. Often the best way of using AID's limited resources will be in building relevant host-country institutions and acting as a catalyst for investments by other bilateral and multilateral aid donors. For example, AID funds might be well invested in pre-project analyses intended to develop energy efficiency or renewable energy projects to the point where they can be supported by the World Bank or other donors.

AID also should be directed to adapt and expand its forestry activities to deal with global warming. Forestry plans for key nations should be reviewed and strengthened. AID should then act to make sure the plans are implemented.

3. Refuse to provide any assistance for construction of large fossil-fuel power plants that will exacerbate the global warming problem, unless a thorough analysis reveals no conceivable alternative. Even then, AID's role should be to make the plant efficient and environmentally sound.

4. Lead other development assistance agencies to recognize the importance of actions to address global warming, through the Intergovernmental Panel on Climate Change, the OECD's Development Assistance Committee, and other means. AID should make special efforts to influence the multilateral banks, which are lagging as described below.

In order to do these things, AID must increase considerably the number of AID permanent-hire staff with expertise in renewable energy and end-use efficiency. Currently, AID has only a few such employees. AID also must develop a cadre of U.S. experts from industry, academia, nonprofit institutions, and other government agencies capable of providing technical assistance to developing countries.

AID should view these efforts as a first step toward an AID-led, coordinated international effort to ensure that the aid agencies work together to identify and meet investment and technical assistance needs. This should feature systematic, country-by-country end-use analyses of the energy sector, with a designated aid agency taking the lead in each country in cooperation with the host government, leading to the development of national programs to meet the energy needs thus identified. AID should ensure that such a process emerges from the work of the Intergovernmental Panel on Climate Change.

These actions will cost money. The ESF program is a way to start in some countries. However, ESF funds cannot provide AID with the central capability it needs to address the global warming issue. Incredibly, AID's FY 90 budget request for the Agency's Energy Office proposes to reduce its budget from $10 million to $9 million.

This Subcommittee should recognize the importance of this issue to our national security by requiring AID to fund its Energy Office at a level of at least $20 million. If necessary, these funds should be provided by increasing the overall amount in the 106 account and making reductions in other accounts. We face a global emergency and must respond.

B. Effective Environmental Assistance to Africa

Africa continues to face mammoth problems of environmental degradation and population growth. AID must continue its support for efforts to solve these problems.

The future productivity of African agriculture depends on a sound natural resource base. The trends of desertification and deforestation must be reversed and growth in human populations greatly slowed if per capita food production is to be increased or even sustained.

In addition to greater support for voluntary family planning, actions are needed to reverse the degradation of the natural resource base. Environmental and social conditions in Africa -- including the weaknesses of national governments, the lack of transport and communications systems, the need for careful management of fragile soils and water supplies, and the existence of strong institutions at the village level -- dictate that these efforts must come from the bottom up, not the top down. The most important efforts must take place at the local level, with strong national support.

The U.S. Office of Technology Assessment has stated that "the technology most needed in sub-Saharan Africa should be low-risk, resource-conserving, small-scale, affordable (not capital intensive), locally produced and repaired, adapted to local labor availability, and consistent with traditional agricultural methods." U.S. assistance to Africa must foster these kinds of initiatives.

At the local level, what is needed is a multitude of small-scale efforts to increase food production in ways which protect and restore the natural resource base. These should include agroforestry, small-scale farms and gardens, and other innovative agricultural methods (including energy- and resource-conservation techniques and use of low-input, organic, or regenerative methods where feasible); check dams and terraces and other projects to prevent erosion or protect watersheds; tree planting for windbreaks, soil stabilization, or firewood; energy conservation and small-scale energy production to reduce consumption of firewood and animal wastes otherwise usable as fertilizer; and local health and training efforts.

These projects can only succeed when local people are involved at all stages of project design and management. There must be greater involvement of African women, who usually are the ones who actually labor in the fields. Projects should routinely include training and educations components designed to prepare local people to participate fully and to take over when foreign assistance ends.

Commonly, the best way to involve local people will be through local governmental organizations, such as village councils; local nongovernmental organizations; or U.S. private and voluntary organizations. A constant theme among aid agency personnel and others who have spent time on the ground in Africa is that projects administered by these types of organizations are most likely to succeed. African development must build on this field experience, so that these projects are not isolated examples but the norm.

We emphasize especially the role which must be played by indigenous African groups. Village institutions in Africa are relatively strong. They must be involved in the planning and implementation of projects, and in their administration. Village people must be educated, trained, and otherwise prepared to carry on after external assistance comes to an end. The growing number of national and provincial indigenous nongovernmental organizations can help make this happen, as can international nongovernmental organizations like the Nairobi-based Environment Liaison Centre, the International Union for Conservation of Nature, and the World Wildlife Fund.

Purely local actions will not be sufficient to maintain and restore the natural resource base. The local projects just described must be backed up by efforts at the national level to establish or strengthen institutions such as environmental authorities, nongovernmental organizations, and soil conservation, agricultural extension, and forestry services; provide seeds, seedlings, energy-efficient and resource-conserving devices, and other needed materials; and create financial mechanisms to furnish credit to small farmers.

There is a need for training and education activities at the national as well as the local level. These should include support for African training and educational institutions; development of curricula; training and education through national institutions in Africa; establishment of cooperative relationships between U.S. and African educational institutions; support for natural resource managers to participate in conferences, courses, and the like; and training of trainers.

Continued congressional direction is required if these actions are to occur on the right scale. U.S. AID has supported some efforts of the right kinds with respect to both population and the environment, but needs to do more. Only congressional direction can ensure the right kinds of efforts in the face of budgetary pressures and competing priorities.

We therefore ask that you appropriate for the Africa Development Fund at least the $565,000,000 the Administration has requested. To ensure that these funds are wisely spent, we ask that, as you have done in the past, you require that AID target at least 10% of this sum on efforts to restore the natural resource base and another 10% on family planning assistance. We further ask that you include report language requiring that, of the funds targeted on maintaining and restoring the natural resource base, AID shall "place primary emphasis on small-scale projects featuring involvement of local people at all stages of project design and implementation." This will ensure that AID's scarce money is spent as effectively as possible, and would be consistent with the Foreign Assistance Act amendments that passed the House by an overwhelming margin in 1987.

C. Fostering Sustainable Agriculture

NRDC endorses the statement on this subject by Ambassador Robert Blake. We only wish to underscore that AID's agriculture efforts must be of the right kind. As stressed by Ambassador Blake, AID should not spend its scarce resources on support of agricultural production for export from the most fertile lands. Rather, AID's role should be to help poor farmers on marginal lands to develop environmentally sustainable methods of production.

D. Preventing Extinction of Wildlife Species

We face the horrifying prospect of losing, in just the next few decades, up to a quarter of all the earth's plant and animal species, due mainly to destruction of tropical forests and other habitats. Scientists warn that we face a wave of extinctions comparable in magnitude to that which destroyed the dinosaurs and many other species some 65 million years ago. Harvard Professor Edward O. Wilson, the "father of sociobiology," has said that this loss of living species is the loss our descendants will least forgive us.

The economic consequences of losing this huge, untapped resource are incalculable but plainly enormous. Even now, one-fourth of all prescription drugs in this country had their origin in tropical plants or animals.

USAID can do a great deal to help countries safeguard habitats and species. Section 119(b) of the Foreign Assistance Act directs AID to:

> assist countries in protecting and maintaining wildlife habitats and in developing sound wildlife management and plant conservation programs. Special efforts should be made to establish and maintain wildlife sanctuaries, reserves, and parks; to enact and enforce anti-poaching measures; and to identify, study, and catalog animal and plant species, especially in tropical environments.

In the year and a half since this section was last amended, AID has responded well and has funded many important activities. In particular, NRDC wishes to commend AID for providing funds to make it possible for the International Union for Conservation of Nature to prepare a draft of a badly needed international convention to protect, on a worldwide basis, animal and plant habitats of special importance for conservation of biological diversity.

Loss of biological diversity is one of the most important problems facing the world. The issue could not be more urgent: when a species is lost, it and all its benefits are gone forever. AID has proved that it can be highly effective in this area, and has a large backlog of excellent projects which it is unable to fund. NRDC therefore urges this Subcommittee most strongly to earmark $10 million to be spent for this purpose in FY 90, an increase from the $6 million the Agency apparently plans to spend. The United States could not make a better investment in the future of life on this planet.

E. Adequate Funding for Population Assistance

Overly rapid population growth and environmental degradation in developing nations are inextricably linked. We cannot achieve sustainable development without stabilizing populations. Yet experts project that -- to cite only a few examples -- Mexico eventually will grow from its present population of 82 million to 195 million; El Salvador from 5 to 16 million; Kenya from 21 to 116 million; and The Philippines from 58 to 125 million.

Needs for family planning services still are unmet in many nations. AID must be a leader in meeting these needs. Last year the Congress recognized the importance of population assistance by appropriating $195 million for AID's efforts in addition to those under the Africa Fund. This amount reflected a substantial decline from the levels of FY 85-87. For FY 90, the Administration is requesting just over $200 million.

We must abandon this miserly approach. The unmet need is way out of proportion to AID's current efforts. Project Blueprint recommended, and we urge this Subcommittee to require that AID spend in FY 90 at least $500 million on this crucially important program, and to insist that all those funds actually be spent on population assistance and not be diverted elsewhere.

IV. The Multilateral Development Banks

Mr. Chairman, NRDC salutes the vigorous efforts of this Subcommittee to encourage environmental reforms in the programs and policies of the multilateral development banks. Unfortunately, I must again inform you that the MDBs, and the World Bank in particular, have failed to implement all of the reforms which this Subcommittee has instructed the U.S. Treasury to promote. Despite the widely publicized staffing expansion at the World Bank, for example, the Bank has made little progress on other critical issues that this Subcommittee has addressed. We urge the Subcommittee to pursue its unfinished business with the MDBs, and the World Bank in particular, in the following areas.

A. Environmental Impact Assessment

The controversial MDB projects which NRDC and other environmental groups have brought to your attention in the past have, unfortunately, only been recognized as social and environmental disasters after they have been implemented. In order to prevent such tragedies in the future, the MDBs need to analyze the social and ecological impacts of their actions and modify or eliminate their support for potentially destructive projects. It is imperative that the MDBs carry out comprehensive environmental assessments of all projects early in the project cycle, before tragic mistakes occur.

The World Bank intends to issue standards on environmental impact assessment (EIA) in advance of its annual meeting this fall. It is essential that the Bank adopt sound EIA procedures. However, we have reason to believe that the Bank's new policy will be weak in the two crucially important areas: (1) public participation in the assessment process; and (2) consideration of all alternatives and their environmental impacts. Moreover, we have been informed that the Bank has no intention of consulting with the public before publishing those standards in final form.

Mr. Chairman, this Subcommittee should instruct the U.S. Treasury to urge that the World Bank's new EIA policy include provisions for public participation and full consideration of alternatives, and that the Bank consult with relevant U.S. Government agencies and members of the public prior to adopting that policy.

B. Public Accreditation To Attend World Bank Meetings

The World Bank's failure to include affected people in an EIA process is only one example of its failure to involve nongovernmental organizations (NGOs) from borrowing and donor countries, as well as the general public, in its activities. An incident at the September 1988 meeting of the World Bank and the IMF in Berlin, at which several representatives of environmental and indigenous peoples NGOs were refused accreditation as visitors, is indicative.

In an overwhelming display of concern about World Bank and IMF policies in the areas of environment and the rights of indigenous peoples, representatives of environmental and indigenous peoples organizations from 27 countries -- including at least 17 borrowing countries -- travelled to Berlin to meet constructively with Bank staff and representatives of national governments to discuss these serious issues.

Access to the premises of the annual meeting was a necessity for engaging in this dialogue. Yet a number of representatives of citizen organizations in borrowing nations were denied accreditation as visitors and, consequently, access to the International Conference Center where the annual meeting took place. The reason was that their governments refused to consent.

Again this year the Bank has established procedures for NGO accreditation that put a veto power squarely in the hands of individual governments, with no assurance against arbitrary denial. As occurred last year, the result promises to be a patchwork of NGO representation.

No single government should be permitted to deny accreditation on behalf of the World Bank as a whole. Such a policy is inconsistent with the concept of multilateralism. Other members of the UN family accredit NGO observers themselves, with no necessity for approval by individual national governments. This practice has been adopted by at least two of the regional development banks -- the Inter-American Development Bank (IDB) and the African Development Bank (AfDB). The World Bank should do the same.

This shameful situation must end. I therefore urge this Subcommittee to demand reforms in the accreditation procedures of the Bank and its sister agency, the International Monetary Fund, before the next annual meeting, to assure that accreditation is awarded by the Bank/Fund Joint Secretariat and that approval by individual national governments is not required.

C. Public Access to Information

The World Bank still withholds key documents, describing both the design of individual projects and the Bank's larger lending strategies for individual countries, from the public in borrowing and donor countries alike. This policy of strict secrecy is another example of the World Bank's failure to involve NGOs and the general public in the development and execution of its projects.

Currently, NGOs, the public, and even governmental agencies in MDB member countries can obtain only documents which have been released to the Executive Directors. Project-specific documents, including staff appraisal reports and President's memoranda, reach the Executive Directors immediately before project approval and are often "sanitized" of any information that would cast doubt on the viability of the project. Country Strategy Papers which lay out the Bank's long-term lending plan for particular countries are not routinely available to the Executive Directors. Neither the U.S. Treasury, nor the governmental agencies in other countries which direct the votes of their Executive Directors, have an effective mechanism for compelling the Bank to release these documents.

As a result, the information currently available to the public is totally inadequate for meaningful input into the Bank's lending processes. The most basic facts concerning the need for the loan, project design, and conditionality -- all of which have a direct relationship to environmental impacts -- are secret both before and after Board approval of a loan. This policy of concealment has harmful consequences for local people, who often cannot obtain any information about proposed and ongoing projects that have immediate impacts on their lives, environment, and livelihoods.

A principal reason cited by Bank staff for this policy of secrecy is the need to preserve the confidentiality of relationships with borrowers. Borrowing countries, the theory goes, are highly sensitive about making public information contained in Bank documents. The Bank's response has been to withhold critical documents, including documents which demonstrate or predict harm to the environment, natural resources, public health, and the rights of indigenous peoples.

This rationale for withholding information is flawed. For instance, the Government of Botswana, as confirmed by the attached letter, has instructed the World Bank to release documents to the public, yet the Bank has refused to do so. This agreement demonstrates that it is the Bank's own policy, not policies of borrowing countries, which restricts the flow of information. In any event, the Bank should not allow the wishes of borrower countries to override the principle that the public must be able to participate meaningfully.

Mr. Chairman, I urge this Subcommittee, in its oversight capacity, to insist that the U.S. Treasury carry out its mandate under 22 C.F.R. 262m-5(b)(5) and instruct the U.S. Executive Directors to the MDBs that they must:

> "vigorously and continuously [promote] full availability to concerned or affected nongovernmental and community organization, [sic] early in the preparation phase and at all subsequent stages of planning of full documentary information concerning details of . . . proposed loans."

I also remind the Subcommittee of its previous mandate to the Treasury, under the FY 89 appropriation, that the Treasury release MDB documentation to the public in the event that the MDBs have not reformed their information policies within one year. Mr. Chairman, there is no reason to believe that the MDBs will reform their information policies by the relevant date. Consequently, we urge the Subcommittee to assure that those documents are made available through the U.S. Government.

D. MDB Energy Programs and Climate Change

Last year this Subcommittee called on the MDBs to increase their support for efficiency and renewables. Unfortunately, the MDBs have not heard the message, and the record of MDB lending for end-use efficiency and renewable energy remains poor. Over the past decade, these areas have accounted for less than 4% of World Bank energy lending, and a quick look at the projects in the Bank's pipeline reveals only a handful designed to improve end-use efficiency or promote renewable energy other than large-scale hydro. The record of the regional MDBs is even less impressive.

We have found that MDB staff members individually recognize the urgent need for more activity in these areas. But projects in end-use efficiency and renewable energy are not normal for the MDBs. While the MDBs are used to financing discrete projects for large electric utilities, efficiency and renewable projects are directed at a large number of diverse and diffuse energy users. Identifying local institutions to implement such projects is difficult; typically such institutions have to be built from scratch. Projects for end-use efficiency and renewable energy, as they have typically been packaged, involve smaller sums of money and require greater involvement by Bank staff than more conventional energy projects. For instance, World Bank staff have revealed in confidence that proposals from China and Tunisia for projects in end-use efficiency were refused because they were not considered large enough for Bank involvement.

The MDB technical staff, as well as borrowing-country technical personnel, are weak in the areas of end-use efficiency and renewable energy. A World Bank staffer recently told us that he could count the number of Bank staff with technical expertise in end-use efficiency on one hand and still have fingers left over. As a result of these institutional and technical deficiencies, the banks have not been able to develop a methodology for "least-cost" energy planning that allows concrete investments in end-use efficiency and renewable energy to be considered as alternatives to conventional energy supply.

In order to overcome these institutional constraints the MDBs should:

- Augment their technical staffs to include much more expertise in end-use efficiency and renewable energy.
- Develop methodologies that require borrowing countries to include investments in end-use efficiency and renewable energy in the "least cost" energy sector investment plans they prepare with MDB assistance.
- Include environmental costs in the economic assessment of proposed power projects, using, for all projects which involve expansion in generating capacity of more than 10 MW, a standard increase in project costs of 20% as a surrogate for the environmental costs until a more accurate method is developed.
- Encourage end-use efficiency and renewable energy in every negotiation of policy-based energy sector lending. A policy-based sector loan should not go forward without a commitment from the borrowing country to devote a significant portion of its sector investments to energy efficiency and renewables.
- Provide, as a component of every energy sector loan, technical assistance to help the borrower country identify and pursue end-use efficiency investments. This technical assistance should include support for detailed audits of energy use and development of institutions to promote end-use efficiency and conservation.
- Develop substantial loans for end-use efficiency and renewable energy by "bundling," where possible, smaller projects into larger, more easily financable projects.

Several of these recommendations -- staffing increases, an improved "least-cost" sector planning process, and increased lending activity -- have already been included in previous congressional instructions to the Treasury. I urge this Subcommittee to make full use of its oversight powers to ensure that these instructions are carried out.

We understand that the World Bank is currently developing a policy on global warming. This Subcommittee should instruct the Treasury to urge that this policy call for a major shift in the Bank's energy programs toward energy efficiency and renewable energy, and that the Bank consult with members of the public in developing this policy.

V. The Debt Crisis

The Report of Project Blueprint emphasized that the debt crisis exacerbates environmental problems and makes them much harder to solve:

> "It is absurd to think that developing nations can meet the needs of growing populations in an environmentally sustainable manner when the United States and other

> industrialized nations are extracting billions of dollars in capital from them each year on net balance, instead of investing in them. In many nations, per capita income has actually declined during the 1980s. Yet the United States has refused to even consider significant reductions in the $1 trillion dollars in debt now owed by developing nations, even though everyone knows that much of it can never be repaid."

The Blueprint Project recommended:

> "The President should exert strong leadership to solve the international debt crisis. The United States should make constructive proposals, including forgiveness of debts owed our Government by the poorest nations, and present them at next year's Western Economic Summit and other appropriate fora. Large-scale 'debt-for-nature swaps,' in which developing nations agree to protect their forests and other environmental resources in return for debt relief, should be part of the solution."

Treasury Secretary Brady announced recently an initiative to relieve the debt burden, mainly through country-by-country negotiations. As recommended by Project Blueprint, NRDC believes that U.S. efforts under the Brady Plan should include outright forgiveness of debts owed by very poorest nations -- those with a per capita GNP of less than $550. We further believe the United States should:

- o Move rapidly -- under the Brady Plan or otherwise -- to provide adequate debt relief to all affected nations.
- o Take into account in every country-specific debt negotiation the conditions of the environment and natural resources in the country involved, and use the debt negotiations as a way of addressing important environmental problems, protecting key resources, and strengthening needed institutions.
- o Make bilateral assistance funds available to nongovernmental organizations to purchase local currency in "debt-for-nature swaps," and urge the multilateral banks to do the same.
- o Press for coordinated actions concerning debt for nature by the major donors, through the OECD's Development Assistance Committee.
- o Urge the IMF and multilateral banks systematically to make increased conservation and environmental protection a goal in all their efforts to reduce the debt burden.
- o Initiate negotiations with the aim of establishing an international institution to facilitate exchanges of commercial debt for conservation purposes.

We understand that EPA Administrator Reilly has urged that the environment be made a part of debt negotiations. Yet this apparently did not happen with respect to Mexico, the first "test case" under the Brady Plan.

We further understand that Secretary of State Baker has recommended to Treasury Secretary Brady that the Treasury support relevant World Bank actions, including creation of an International Finance Corporation clearinghouse for debt-for-nature swaps and Bank lending for debt-for-nature swaps. Baker has suggested that a Bank debt-for-nature program could be used to support elimination of specific tax incentives, subsidies, rural credit schemes, and land tenure rules that directly encourage deforestation.

At this time, when a number of relevant initiatives are under consideration, strong directives and recommendations by this Subcommittee could make a big difference. NRDC looks forward to working with you in this area.

VI. The UN Environment Program

Only one international agency is grappling with all the problems I have described: the UN Environment Program (UNEP). Established in 1973, UNEP plays an essential role as catalyst, coordinator, and international forum. It is not an operational agency, but a tool which nations -- including our own -- can use to address problems effectively and cheaply. UNEP has been responsive to U.S. interests, and is tightly managed in spite of continual uncertainties about funding. NRDC urges this Subcommittee to recommend a much higher U.S. contribution to UNEP.

UNEP has done a good job. Without UNEP, the world's nations would not have reached agreement in 1987 in Montreal on the crucially important protocol to regulate chemical compounds which are depleting the ozone layer, and would have no forum in which to strengthen that protocol. UNEP played a crucial role in developing the Cairo Plan of Action under which African nations have agreed to cooperate in solving their severe environmental problems. UNEP's International Register of Potentially Toxic Chemicals helps developing nations control dangerous chemicals. Its Regional Seas Program ensures sound management of marine resources.

UNEP must step up its vitally important work. The future security of the United States and the entire world demands that we address successfully the problems of ozone depletion and global warming. UNEP is the key agency on the world scene.

In addition to improving the Montreal protocol on ozone depletion, UNEP must help the world solve the problem of global warming. At its May 1989 Governing Council meeting in Nairobi, UNEP was asked to help develop a world convention on preventing climate change and was identified as the forum for negotiation of that convention.

UNEP also should take other badly needed actions, such as:

- Helping developing countries build institutions that can enable them to increase their energy efficiency.

- Providing a forum to negotiate a badly needed treaty to protect animal and plant habitats on a worldwide basis.

- Additional steps to implement the Cairo Action Plan to protect the African environment and the Caribbean Regional Seas Program.

- Helping developing nations improve their ability to safeguard their own environments, thus preventing future Bhopal disasters, hundreds of thousands of pesticide poisonings each year, needless destruction of tropical forests, and the spread of the deserts. This should begin with sharply stepped-up efforts to assist nations in implementing the Cairo Action Plan, and increased actions by UNEP's International Register of Potentially Toxic Chemicals.

- o Training people in developing countries to interact more effectively with UNEP's Global Environmental Monitoring Program.
- o Working with developing countries at the regional level.
- o Working more closely and substantially with nongovernmental organizations that can help UNEP multiply its effectiveness.

These actions will require large staff and budget commitments. For example, essential actions on ozone depletion, global warming, and species conservation must be carried out by UNEP's Environmental Law Unit. Yet that Unit has only two staff members and a large agenda in addition to these issues. The staff now is overstretched by efforts to strengthen the Montreal ozone depletion accord, and has little ability to work on the global warming problem. The size of the Unit should be increased by several times.

The parts of UNEP that would be responsible for the other actions recommended above -- the Regional Seas Program, the International Register of Potentially Toxic Chemicals, the Cairo Action Plan, the regional programs in Asia and Latin America, and those who work with NGOs -- are equally underfunded. In fact, due to budget shortfalls, UNEP now is forced to operate with a 20% staff vacancy rate. To get up to full speed and meet urgent environmental needs, UNEP should be spending at least $2 million a year more in a number of key areas: law, the Cairo Plan, the IRPTC, GEMS, and regional and NGO programs.

Yet UNEP is not even sure of the $30 million a year in national contributions needed to continue its present work, much less the additional resources just described. The blame lies to a great extent with us. Between 1974 and 1984, the United States contributed $10 million a year to UNEP, but in recent years we have allowed our contribution to dwindle. In Fiscal 1989 the Congress pushed the contribution up to $9.5 million, equal in real terms to less than half as much as we gave UNEP a decade ago. For FY 90, the Bush Administration -- headed by a President who claims to be an environmentalist -- proposes to give UNEP just $7.7 million.

Mr. Chairman, we appreciate all that you and this Subcommittee have done for UNEP over the years. But this nickel-and-dime approach is ridiculous. This is an agency whose work is vital to the future security of the United States. We must give it the resources to do its job.

Therefore, NRDC asks that this Subcommittee approve a U.S. contribution to UNEP of at least $20 million in FY 90. This is the contribution recommended by Project Blueprint. It will allow UNEP to get its head above water and take the crucially important actions just described. It will send a signal to other donors and the world community that the United States believes these problems are serious and wants others to join us in addressing them.

UNEP needs guidance as well as money from the United States. With respect to ozone depletion and global warming, this Subcommittee should direct U.S. representatives to urge that

UNEP: (1) move as fast as possible to renegotiate the Montreal Protocol on ozone depletion, with the aim of phasing out harmful chlorofluorocarbons and related gases by 1995; (2) serve as the forum for negotiation of a badly needed convention on global climate change; and (3) establish a strong, catalytic program to help developing nations identify opportunities for energy efficiency improvements and increased reliance on environmentally sound renewable energy sources, and work with aid donors to make sure those opportunities can be realized. With respect to species conservation, this Subcommittee should direct them to urge that UNEP serve as the forum for negotiation of a badly needed treaty to protect critical habitats on a worldwide basis.

VI. Adequate Funding for CITES, World Heritage, and OAS

Mr. Chairman, last year NRDC, the National Wildlife Federation, and others came before this Subcommittee and asked that you increase sharply the U.S. contribution to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) above the requested level of $200,000. We detailed reasons why a low U.S. contribution would cripple efforts under that vitally important treaty.

You responded by appropriating $650,000. We are grateful. That contribution has put the work of the Convention on a sound footing.

Now the Bush Administration has proposed that in FY 90 we reduce the contribution to the level you rejected last year: $200,000. Having put CITES on a sound footing, the last thing we should do is to cripple it again. We urge you to increase the U.S. contribution to $750,000, as has already been done by your counterpart in the House of Representatives.

The U.S. contribution to the World Heritage Fund, another important institution that has been limping along, is proposed for a reduction to $200,000 from the current, already inadequate level of $220,000. We urge you instead to increase the contribution to $500,000.

Another international institution that is doing excellent environmental work is the Development Assistance Program of the Organization of American States. Through this program the OAS furnishes early technical assistance in the design of projects to be funded by the Inter-American Bank and others. This kind of early work can prevent disastrous environmental mistakes. We urge the Subcommittee to appropriate at least the requested $10 million.

VIII. Conclusion

By taking the actions we have recommended, this Subcommittee can ensure that the United States provides the leadership essential to solving global environmental problems. We urge you most strongly to take these actions so important to the future of the earth.

SUBMITTED QUESTIONS

Senator **Lautenberg**. Thank you very much, Mr. Stoel.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question. You suggest that AID should not provide any assistance for construction of large fossil-fuel power plants unless there is no alternative source of energy. Can you give examples of when there is no alternative source of energy and large fossil-fuel plants are necessary?

Answer. The analysis needed to answer your question has been done in very few developing countries, so my response must be rather general. Alternatives to fossil fuel-fired power generation include, on the supply side, conventional hydro, nuclear power, and nonconventional renewable energy technologies. On the demand side, they include improvements in the efficiencies of power generation, delivery, and end use.

Hydroelectricity has already become a widespread alternative to fossil fuel-fired power throughout the developing world. From a global warming perspective, this is a good thing. However, in many cases the construction of large dams for hydro power imposes very serious environmental and social costs. Nuclear power development in the Third World has been relatively limited, and economic, environmental, public safety, and proliferation concerns are likely to preclude nuclear power as a viable alternative.

Currently, most economic applications of nonconventional renewable energy technologies have been in remote areas where the costs either of extending the transmission grid or of constructing, fueling, and maintaining small fossil-fuel generating units are high. Unfortunately nonconventional renewable technologies have not yet become economically viable alternatives for large-scale, baseload generating capacity in developing countries. There does appear, however, to be great potential for generation of electricity from biomass.

At present, when hydro potential is nonexistent or its development is precluded on economic, social, or environmental grounds, efficiency improvements are the major alternative to large-scale generating capacity. In all developing nations, the potential exists for improvements in efficiency that would greatly reduce the need for added generating capacity. However, in the short run, the institutional capacity to implement these efficiency improvements is lacking in most developing countries.

That is why it is so essential that AID establish immediately a major program aimed at overcoming these institutional barriers in key countries, as recommended in my testimony. The opportunities are great. For example, detailed analyses of conservation potential in Brazil, a country relatively well prepared to implement efficiency improvements, have concluded that growth in generating capacity could be reduced by about two-thirds over the next two decades.

Question. I am preparing legislation to, among other things, concentrate our resources for energy programs in key countries. I was very pleased to see that you also suggest this in your testimony. Let's look at one country, India, as an example. Assuming hypothetically that we were to increase AID's energy office budget by $10 million each year for the next ten years, and also recognizing that India is only one of several key countries, can you sketch out a program for AID to undertake in India that would result in measurable reductions in greenhouse emmissions and measurable savings in projected energy consumption during the next decade?

Answer. It is appropriate that you select India as an example. India's plans for coal-fired electricity expansion stand to make it one of the main emitters of greenhouse gases in the coming decades.

An AID program in India to produce measurable reduction in greenhouse gas emissions would (1) promote the production of energy-efficient equipment (e.g., light bulbs, appliances) and renewable energy technologies, (2) encourage their adoption through use of least-cost planning methods and innovative promotional and financing arrangements, and (3) integrate energy efficiency and renewable energy into energy sector investment planning. AID has begun to lay the groundwork for such a program in India, as described below. An increase in funding for AID's Office of Energy and a directive requiring AID to undertake a major, Agency-wide Global Warming initiative will enable AID to carry out such a programs in India and other key nations.

AID, through its Asia/Near East Bureau and Office of Energy, has initiated a number of programs to assist India in improving energy efficiency, increasing the use of renewable energy technologies, and integrating these measures into its energy investment planning. Through the Program to Accelerate Commercial Energy Research (PACER), AID is working with India to overcome barriers which prevent the commercialization of innovative technologies.

For instance, a joint venture between a U.S. and an Indian company is being developed to begin manufacture of efficient compact fluorescent light bulbs for the Indian market. Other PACER projects involve renewable energy technologies. Concurrently, AID is working with the State Electricity Board of Maharashtra and the electric utility which services New Delhi to include conservation and renewable technologies as alternative energy sources through a "least-cost" planning process.

Question. You have made a strong pitch for increased funding for the UN Environment Program. We hear differing reports about UNEP -- some say it's doing a good job but needs more support, others say it suffers from bad leadership, is ineffective and would only waste additional resources. How do you answer UNEP's critics?

Answer. It is widely agreed that UNEP has done excellent work on crucially important environmental issues, including ozone depletion, global warming due to the greenhouse effect, toxic chemicals (through the International Register of Potentially Toxic Chemicals), protection of regional seas, development of international treaties, and protection of the environment in Africa. UNEP's Governing Council recently defined an agenda that includes other important actions, such as developing a global treaty to conserve biological diversity.

It is also widely agreed that UNEP's staff in many of these key areas is far too small -- for example, UNEP's Law Unit recently had only two lawyers. UNEP has been very responsive to the United States. If this Committee and the U.S. Government suggest that additional funds from this country should be spent to strengthen UNEP's efforts in these key areas, there is every reason to think that this would happen. I believe this would be an excellent expenditure of U.S. funds, since UNEP's actions would have a major impact on key global environmental issues.

Question. You say AID should increase its permanent staff with expertise in renewable energy. How many are there today, and how many should there be?

Answer. In its Missions, regional bureaus, and Office of Energy AID currently employs approximately 20 permanent staff with expertise or experience in energy generally. Of these, five in the Office of Energy appear to have expertise or experience in renewable energy. The number of such people in the regions and Office of Energy is not known to us.

We believe the number of people in the Office of Energy with expertise or experience in renewable energy should be increased by at least 50%.

More generally, it would be desirable if the staffer assigned to the energy portfolio in each AID Mission should have energy training. However, this currently is not the case. At the very least, Missions in all ESF countries and key greenhouse gas-emitting countries should have an officer trained in energy, including energy efficiency and renewables.

STATEMENT OF ELMIRA NAZOMBE, POLICY ANALYST, BREAD FOR THE WORLD

Senator **Lautenberg**. And now we will hear from Ms. Nazombe.

Ms. **Nazombe**. Thank you. I am Elmira Nazombe, the international team leader at Bread for the World. We thank the chairman for the opportunity to testify before this committee and for the support that the committee has given over time to sustainable development. We particularly would like to thank the committee for its leadership on the issue of debt relief for the poorest countries.

We are very pleased by President Bush's recent announcement of the implementation of section 572. We hope that this subcommittee will seek to ensure that the poor participate in decisions about debt relief and benefit from these measures.

Bread for the World believes strongly that the main objective of U.S. foreign aid should be to promote peace and Third World self-determination and self-reliance through a development process that is participatory, equitable, and sustainable. Therefore, most of our recommendations today will focus on the quality of foreign aid and not the quantity.

Our recommendations fall into three broad categories. First, reducing the levels of security assistance, including military and economic support funds. Second, maintaining and increasing effective bilateral and multilateral aid programs, especially to sub-Saharan Africa. And, third, reducing debt burdens to the poorest countries.

First, we believe the subcommittee should support the reduction of the levels of military aid and economic support funds and redirect resources to development assistance. Specifically, we urge the subcommittee to reject the administration request for $68 million in security and development assistance to Sudan and Somalia.

We would request that all additional nonemergency aid be conditioned on the implementation of peace agreements negotiated between these governments and opposition groups and on the substantial improvement of human rights.

We suggest that the committee support the reduction of U.S. security and development assistance except emergency aid to El Salvador. We support the Harkin-Hatfield bill and believe that aid should be conditioned on good faith efforts by the Salvadoran Government to negotiate a peace treaty with the opposition and to reduce the killings and disappearances that are now attributable to that government.

We suggest that the committee support a shift in resources from military and security and economic support funds to development assistance to debt relief and perhaps even to a special fund for the reconstruction of conflict-ridden areas.

Our second area of major concern is the maintenance and increase of effective bilateral and multilateral aid programs, especially in sub-Saharan Africa. We suggest that the committee support the continuation of the women in development provisions of the 1989 Foreign Aid Appropriations bill.

We suggest you support the funding of the child survival fund at least at the $72 million level and AID health assistance at $124 million. We hope that you will include policy language that improves the effectiveness of the development fund for Africa, specifically, requiring a 10-percent minimal level of assistance for priority areas; documentation of the nature and results of consultation with poor people; documentation of its impact on development programs and projects; and more effective congressional monitoring of sectoral aid for policy reform to ensure that policy changes benefit poor people.

In addition to these policy changes, we support $550 million in development assistance under the development fund for Africa and not less than $50 million for the Southern Africa Development Coordination Conference without country restrictions for Mozambique and Angola. We also support $40 million for IFAD.

Finally, we would turn to debt relief. We suggest that the committee seek to ensure that debt relief measures do not mean a reduction in development assistance to poor countries and that the subcommittee condition funding for the IMF enhanced structural adjustment facility by requiring the that IMF assess the impact of structural adjustment programs on the poor and consult with nongovernmental organizations in the design of those programs.

PREPARED STATEMENT

Finally, we suggest that you condition the funding to multilateral institutions on the implementation of specific measures that will provide debt relief for poor countries, promote poverty alleviation, and foster equitable development.

That is the summary of all of our concerns. Thank you very much.

[The statement follows:]

STATEMENT OF ELMIRA NAZOMBE

Mr. Chairman, I am elmira Nazombe, International Team Leader of Bread for the World. Thank you, Mr. Chairman, for the opportunity to testify before this subcommittee and for your consistent and strong support for Bread for the World's priority issues.

Over the many years that Bread for the World has testified before your subcommittee our advocacy efforts have consistently supported programs and initiatives that we feel benefit the poorest people and support their own development efforts.

We have been pleased to see this subcommittee's response to international efforts to reduce the large number of children's deaths in third world countries, efforts for which we have been advocates. We have also called attention to ways in which U.S. assistance can be of greater benefit to third world women and strongly approve of the subcommittees action last year to initiate some of these improvements. Other valuable programs we have supported include the Southern African Development Coordination Conference (SADCC), the Development Fund for Africa (DFA) and the International Fund for Agricultural Development (IFAD).

We have also been appreciative of the recent downward trend, modest, but real, in the proportion of U.S. assistance of a military and security nature. We thank the subcommittee for its efforts to reduce the debt burdens of poor countries and restrain military and security spending and support development assistance.

We would, however, call the subcommittee's attention to the levels of military and economic support assistance being provided in the name of promoting U.S. security interests, often to countries responsible for serious human rights abuses. We believe that this assistance often has a negative effect on the development process and that support for equitable and sustainable development is a better means to promote U.S. security interests.

Bread for the World strongly believes that U.S. foreign aid should target benefits to poor people. The main objective of U.S. foreign aid should be to promote peace and third world self-determination and self-reliance through a development process that is participatory, equitable and sustainable. We recognize that the subcommittee must deal with the reality of changing economic conditions in the United States, including large trade and budget deficits, which will have an effect on the amount of funds available. Our recommendations, therefore, will focus on the quality rather than the quantity of foreign aid. Bread for the World believes that a reorientation of our foreign aid spending allocations is necessary to carry out the fundamental goal of supporting equitable, participatory and sustainable development including protection of human rights, human dignity, justice and peace.

Our recommendations for this reorientation fall into three broad categories:

1) Reducing the levels of security assistance, including military aid and the economic support fund; 2) maintaining and increasing effective bilateral and multilateral aid programs, especially to sub-Saharan Africa; and, 3) reducing the debt burdens of the poorest countries.

Before addressing these, however, I wish to raise our concern about the increasing use of U.S. foreign assistance to leverage economic policy reform in developing countries.

Economic Policy Reform

We have watched with growing alarm as U.S. bilateral and multilateral aid has been increasingly linked to economic reform programs, or so-called "structural adjustment" programs. A report by the House Foreign Affairs Subcommittee on Africa stated that, currently, 35% of U.S. bilateral aid goes for structural adjustment. In addition, thirty five percent of the World Bank's $3 billion of new lending to Africa is allocated on the same basis. The administration is recommending that 9.7% of U.S.

bilateral assistance to sub-Saharan Africa go to economic policy reform programs in 1990. Many countries, as a condition for receiving new loans, have agreed to cut food subsidies and government personnel and services, including health care and education. They have also agreed to devalue their currencies in an attempt to be more competitive in international trade.

While the need for some types of economic reforms is widely acknowledged, our primary concern about economic reform programs is the effect they have on poor people and that they are designed without adequate consultation with poor people and other vulnerable groups. According to the Economic Commission on Africa "orthodox stabilization and structural adjustment programs not only ignore the human dimension, but also tend to worsen the well-being of large categories of the population, especially the poor and vulnerable. Most seriously the implementation of these programmes has entailed significant reduction in public expenditures on social sectors...with dire long-term consequences for the future of the African people and economies." (Statistics and Policies: ECA Preliminary Observations on the World Bank Report."Africa's Adjustment and Growth in the 1980s".)
Funding for A.I.D. and the World Bank should be conditioned on the implementation of structural and sectoral adjustment measures that take into account the needs and views of poor people and promote equity and poverty alleviation.

Within this context, please consider the following Bread for the World recommendations for a reorientation of U.S. foreign assistance:

1) Reduce the levels of military aid, economic support funds, and redirect resources to development assistance.

Specifically:

a) Reject the Administration request of $68 million in security and development assistance to Sudan and Somalia. Halt all security and economic aid to Sudan and Somalia, except emergency relief. Condition all non-emergency future aid on the implementation of peace agreements negotiated between these governments and the opposition groups and on substantial improvement of human rights.

b) Reduce U.S. security and development assistance, except emergency aid, to El Salvador.

c) Support the Harkin-Hatfied bill and condition remaining aid on: 1) good faith efforts of the Salvadorean government to negotiate a peace treaty with the opposition; and, 2) a reduction in killings and "disappearances" attributable to the Salvadorean government with effective investigation and prosecution of such crimes.

c) Shift the resources cut from military aid and the Economic Support Fund to development assistance and debt relief or to a special fund for reconstruction in these and other areas of conflict

2) Maintain and increase effective bilateral and multilateral aid programs, especially to sub-Saharan Africa. Specifically:

a) Continue the women in development provisions in the 1989 foreign aid appropriations bill in the 1990 bill: $5 million for the Agency for International Development WID office, $800,000 for UNIFEM, and $200,000 for INSTRAW.

b) Support funding for the Child Survival Fund at least at the proposed authorization level of $72 million and A.I.D. Health

Assistance at $124 million, and increase funding if possible.

c) Include policy language that improves the effectiveness of the Development Fund for Africa, requiring: 1) 10% minimal levels of assistance for priority areas such as health, education and natural resources; 2) documentation on the nature and results of consultation with poor people and its impact on development programs and projects; 3) more effective Congressional monitoring of sectoral aid for policy reform to ensure that policy changes benefit poor people. In addition to these policy language changes, we support $550 million in development assistance under the DFA.

d) Provide no less than $50 million for the Southern African Development Coordination Conference (SADCC) without country restrictions against Mozambique or Angola.

e) Appropriate $40 million for IFAD for FY'90 now that the Third Replenishment negotiations are complete.

3) Reduce the debt burdens of poor countries and promote equitable development. BFW commends the committee for your leadership in the passage and implementation of Section 572 of the FY 1989 Appropriations bill which urges the President to cancel debts owed by the U.S. to the poorest countries. We are pleased that the Administration is going to implement the provision. Toward ensuring that debt relief benefits the poor in Third World countries we urge that you:

a) Ensure that debt relief measures do not result in a reduction in development assistance for poor countries;

b) Condition funding for the IMF Enhanced Structural Adjustment Facility (ESAF) on requiring the IMF to:

1) assess the impact of structural adjustment programs on poor people,

2) consult with non-governmental organizations representing poor people in the design and implementation of economic reform programs.

c) Condition funding to the multilateral institutions on the implementation of specific measures that provide debt relief for poor countries, promote poverty alleviation and foster equitable development.

What follows is further elaboration on these positions.

1. Reduce Security Assistance, including military aid and the Economic Support Fund.

Security expenditures account for more than 60 percent of the foreign assistance budget. A foreign assistance program dominated by large amounts of security assistance can perpetuate destructive regional and civil wars rather than providing resources for fulfilling basic human needs.

U.S. security assistance can be especially harmful in countries where serious human rights abuses are present. These funds are often used by governments to repress internal opposition and to discourage the participation of all citizens in political and economic decision making.

El Salvador

A clear illustration of the failure of aid dominated by military and security concerns is El Salvador. The United States has spent more than $3.5 billion dollars in military, security and development aid in El Salvador in the last eight years. The aid has permitted expansion of the Salvadorean military from 5,000 to more than 50,000. Human rights violations by the armed services of El Salvador, and related groups continue on a large scale without effective investigation or prosecution. Moreover, more than a million people, in a population of 5 million, have fled El Salvador and 250,000 people are displaced within the country because of the war. El Salvador's economy is in a downward spiral. However, in 1988 only 17.7 percent of U.S. assistance was development assistance, which primarily benefits poor people. Per capita income is down 25 percent. Even taking into account the agrarian reform in El Salvador, little has been done to redress the basic social and economic inequalities that are the root causes of the war. Aid to El Salvador must be reduced.

Sudan and Somalia

U.S. economic and security aid to Sudan and Somalia amounting to more than $1.2 billion for the last seven years has brought neither peace, sustainable development, nor lasting relief of human suffering to these two countries. The escalating crisis of civil war and human rights abuse clearly mandates that resumption of all non-emergency aid be considered in light of its benefit to the poor people who are victims of the crisis. Aid, given in this context of unresolved conflict has not benefitted poor people. All non-emergency aid should be halted until peace agreements are being implemented and human rights records are improved.

Sudan: The present crisis has its roots in a dispute between the Islamic-controlled North and the non-Islamic South, which wants more religious, economic and political autonomy. The resulting war has led to the death of 500,000 civilians--250,000 in the last year--and has caused another three million either to be displaced within the country or to flee to Ethiopia. In Khartoum, the capital, 1.3 million displaced people from the South are gathered in relief camps and available food has been withheld. Living conditions at relief camps are subhuman. The fighting in the South is intense but civilian relief assistance was not allowed safe passage by either side to government or opposition-controlled areas until April.

Efforts by the new government to engage in peace talks, diplomatic dialogue, and increased relief efforts by the international community are promising developments but fall short of the necessary steps, including the implementation of negotiated peace agreements that would address long-term structural injustices.

Somalia: Conflict between the government and the primary opposition group, the Somali National Movement (SNM), has resulted in civil war in northern Somalia where 500,000 people living in towns that are composed mainly of children and old people have been subjected to bombing attacks. The conflict has forced close to a million people to be either internally displaced or to flee to Ethiopia. Four hundred thousand Somali refugees in Ethiopia face inadequate supplies, food and shelter. Hundreds of others are detained.

U.S. security and economic assistance to Somalia has decreased since 1984. However, the U.S. remains Somalia's major supplier of economic and military aid. Also, in spite of little evidence of fundamental improvement in civil conflict, Congress at the request of the administration recently released suspended economic assistance allocated for Somalia.

2. Maintain and increase effective bilateral and multilateral aid programs, especially to sub-Saharan Africa: the Development Fund for Africa, SADCC, Women in Development, the Child Survival Fund, the A.I.D. health program and IFAD.

Development Fund for Africa (DFA)

Africa is the poorest continent, and its people experience the highest infant mortality and the lowest life expectancy. Bread for the World supported the creation of the Development Fund for Africa established in the 1987 continuing resolution. However, we are concerned that the policy language in the continuing resolution did not provide sufficient guidance to lead to improvements in U.S. economic assistance to sub-Saharan Africa. Bread for the World hopes that a foreign aid authorization bill will be passed this year which ensures that assistance is based on consultation with rural and urban poor people, especially women, and that the aid benefit the neediest. We would urge the incorporation of greater accountability and evaluation mechanisms in the appropriations bill to improve the effectiveness of the use of the funds, especially language that requires documentation on the nature and results of consultation with poor people and its impact on development programs and economic reform programs. We also support 10% minimal levels of assistance for such priority areas as health, education and natural resources. We note that if assistance funding for Africa were at the same level of per capita assistance as our assistance to El Salvador, the United States would be spending $50 billion for the Development Fund for Africa, rather than the $500 million now being spent. Bread for the World supports $550 million for the Development Fund for Africa for 1990.

Southern African Development Coordination Conference (SADCC)

It is important that the United States maintain this year's funding level and, if possible, increase its support for SADCC's goals of regional development and recovery from South Africa's campaign of economic and military destabilization. As an association of nine majority-ruled states of southern Africa, SADCC works through regional cooperation to improve transportation, communication, energy conservation, development, food security and mining.

South Africa's campaign of destabilization has resulted in total estimated losses to member states of more than $17 billion dollars since 1980. Destabilization has meant the destruction of transport facilities, health facilities and schools. Destabilization has displaced and put at risk of starvation 8.6 million people in Mozambique and Angola. Should independence be granted this year, Namibia will also look to SADCC for economic assistance.

In the past, Mozambique's and Angola's access to U.S. contributions to SADCC has been restricted. Denying aid to member countries that coordinate SADCC priorities (e.g. Mozambique coordinates regional work on transportation and Angola coordinates regional work on energy conservation and development) denies critical aid to all SADCC states and helps to ensure their continued economic dependence on South Africa.

Women in Development

Women are vital to economic activity in Third World countries, producing more than half their countries' food, for example. In spite of women's crucial role, their contribution has been limited by lack of access to such things as credit and education. A December 1987 U.S. Agency for International Development evaluation said "A.I.D.'s Women in Development policy is not being implemented fully or vigorously, and there is little enthusiasm and few incentives for doing so." The Women in Development legislation that was part of the FY 1989 appropriations bill made a significant improvement by requiring A.I.D. to demonstrably increase the number of women A.I.D. projects benefit, by providing increased funding to do so, and by increasing the U.S. contribution to two U.N. agencies that assist women, UNIFEM and INSTRAW. Continuation of these provisions is needed this year.

The Child Survival Fund and the U.S. Agency for International Development Health Account

U.S. health assistance has been very effective, providing a major source of resources for the worldwide effort to reduce substantially the number of children who die each year in the developing world. The proportion of children immunized in Third World countries has gone from 15 percent to more than 50 percent in the last eight years. Dramatic progress has been made against the leading cause of death of children: dehydration due to diarrhea. Over 25 percent of the developing world's parents know how to use oral rehydration therapy, resulting in an estimated saving of 750,000 children's lives per year. The U.S.

contribution to this effort has been extremely important in providing vital resources to more than 50 countries. Bread for the World urges the subcommittee to approve funding of at least $72 million for the Child Survival Fund and $124 million for the A.I.D. Health Account.

International Fund for Agricultural Development (IFAD)

Bread for the World continues to support IFAD for its effective grassroots focus. We are alarmed that the Administration did not submit a request of $40 million for FY'90 as the first installment of the total request of $120 million for the Third Replenishment. Now that the Third Replenishment negotiations have been completed, we urge the subcommittee to appropriate $40 million for IFAD. Failure to do so would signify deteriorating U.S. support for IFAD programs.

3. Reduce Debt Burdens of Poor Countries and Promote Equitable Development

The debt crisis is a significant barrier to development in many Third World countries. The debt burden has been particularly onerous for the poorest countries primarily located in Sub-Saharan Africa. While their debt is much smaller than the Latin American debt, African countries' ability to service the debt is weaker. The impact of the debt and structural adjustment programs on the poor has been devastating: per capita income of sub-Saharan African countries is now only three-quarters of its 1970 levels. According to UNICEF the poorest Sub-Saharan African countries spend 50 percent less on health care and 25 percent less on education that they did in the early 1980s. Relief of bilateral and multilateral debts owed by the poorest countries is urgent.

In response to the inability of many poor countries to repay their debts, international development banks and creditor governments have required debtor governments to implement economic reforms, sometimes called structural adjustment programs. These adjustment programs have often included cuts in government spending (on social services), reduction or elimination of food subsidies, and freezing of wages. These measures have hurt poor people by lowering standards of living. Congress should use its influence with the multilateral development banks and the occasion of considering funds for ESAF to support debt relief for the poorest countries and to ensure that structural adjustment policies promote equitable, participatory and sustainable development that benefits poor people.

Mr. Chairman, once again let me express our appreciation for the opportunity to express these views and answer any questions the subcommittee may have.

Senator **Lautenberg**. Thank you, Ms. Nazombe for that summary. I know it is difficult. There has been so much effort by each one of you here to prepare your material, but I assure you the committee and the subcommittee is very interested. I personally am very interested.

I think you all probably know of my environmental involvement. So, this coincides with my interest, and I thank you all very much. Any questions that we have for you, we will submit to you in writing and ask for a quick response. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Q: What economic reforms would Bread for the World recommend that would improve Third World economies and aid the poor?

A:Bread for the World believes that all U.S. assistance to the Third World should foster equitable, environmentally sustainable, participatory and self-reliant development. Structural and sector economic reform programs should be redesigned to support these long-term development objectives. There is not one set of economic reforms which is appropriate or productive for every country. Economic reform programs must reflect the differing needs and aspirations of the people of various countries and regions. Therefore these reforms need to be designed and implemented through a consultative process which includes representatives of relevant government agencies and groups and individuals affected by the economic reforms.

We believe that poor people should be the beneficiaries, not the victims, of economic policy reforms. Drawing on the studies and experiences of a wide-range of individuals and Third World and international non-governmental organizations we would make the following recommendations:

Participation

o Support the involvement of relevant government and non-governmental organizations representing poor people in the design, planning,implementation and evaluation of adjustment policies. These can include, for example, government Health and Environmental Departments, research institutions, professional bodies of health workers, NGOs and local level organizations such as peasant organizations, trade unions, women's groups, indigenous populations, consumer groups, cooperatives, etc.

Changes in External Conditions

o Foster genuine sovereignty entailing control by Third World countries over their own trade and finances, and over terms and conditions of external aid.

o Promote changes in the external conditions which work to the disadvantage of Third World countries such as: weak commodity prices, deteriorating terms of trade, high interest rates, protectionism in industrialized countries, U.S. balance of payments and budget deficits,etc.

Poverty Alleviation & Redistribution of Resources

o Stimulate the production and income of the poor through pricing, credit and public expenditures in favor of small farmers, women and the urban disadvantaged.

o Support a minimal standard of living for the poor through progressive taxation, greater taxation of luxury goods, selective import and consumer price controls etc.

o Restructure the productive sector to support small-scale agriculture, industry and services.

Food Security & Rural Development

- o Place food security ("access of all people at all times to enough food for an active and healthy life") at the center of adjustment programs. Implement production incentives for export crops only in conjunction with, or following, policies to ensure food security.
- o Increase investment in the food and agricultural sectors.
- o Support production incentives that encourage the production of locally and regionally consumed food crops to provide locally reliable food supplies as a basis for equitable growth. Incentives should be provided to encourage diversification of production. These should be structured to enable the poor and women to overcome labor, land and capital constraints and take advantage of the incentives.
- o Implement policies to increase poor people's access to assets such as land, water, credit, appropriate technology and skills. These are more effective than blanket price increases to achieve combined goals of stabilization and food security.
- o Promote maximization of the real incomes of the poor rather than maximization of agricultural supply expansions (which tend to benefit larger, better-off farmers.)
- o Revitalize the rural sector with a particular emphasis on the participation of the majority of people, especially the poor, in the development process.
- o Promote the creation of rural institutions to support cottage industries and small scale agriculture with emphasis on indigenous technology, domestic finance, rural infrastructure and women's participation.
- o Provide incentives for the development of appropriate and sustainable technologies. Systems must be created for farming and manufacturing to meet local needs that do not require expensive imports, do not deplete irreplaceable soil, water and mineral resources, and do not cause irreversible ecological damage.

Social Services

- o Cut military spending and redirect resources to the social sector. Expenditures on health education and other social services should be regarded as investments in long-term growth, rather than short-term drains on the national economy.
- o Improve the equity and efficiency of social services, particularly improving poor people's access to primary health care, immunization, essential medicines and communal water facilities.

Q: Bread for the World supported the inclusion of the consultation and participation language in last year's foreign aid bill to guide the spending of funds for the Development Fund for Africa. Were those consultation mechanisms developed, are they being used, and have they increased the effectiveness of our aid to Africa?

A: Several times during 1989 Bread for the World sought this information from the Agency for International

Development, only to be told that such information was not yet available. Recently we received a document entitled " U.S. Assistance for Africa, The Development Fund for Africa (DFA), An Action Plan" released by A.I.D. and dated May 1989. Although the Action Plan does not represent an evaluation of A.I.D. activities under the DFA, but a statement of goals and plans for the future, it does give us some information about DFA consultation and participation activities. We have reviewed the document and offer the following comments.

The Action Plan indicates that part of the changing context of U.S. assistance in Africa is the need to collaborate more with other donors and private voluntary organizations. It states that the goal of the DFA is sustainable, broad-based, and market oriented economic growth in Africa and then details four key strategic objectives: (1) improving the management of African economies, (2) strengthening competitive markets, (3) developing potential for long-term increases in productivity and (4) improving food security.

The Action Plan does not indicate how the goal and strategic objectives were developed. There is no indication that recipient governments or non governmental organizations were involved in the formulation of the goal and objectives. If the effectiveness of U.S. assistance to Africa is to be increased it is important that there be a working partnership between A.I.D., other donors and potential beneficiaries of that aid from the very earliest planning stages. Recipient countries and organizations representing beneficiaries, especially the poor, women and other vulnerable groups, need to be a part of the setting of overall objectives and goals as well as the design of specific projects.

The Action Plan discusses in detail how the strategic objectives will be met. It specifies the involvement of private voluntary organizations in several areas: (1) natural resource management, (2) job training of farmers, business owners, cooperatives and credit unions, (3)famine preparedness and prevention and (4) integrated food aid/education activities. Bread for the World agrees with the Action Plan that the increased involvement of PVO's in these areas can be very important. We note however, that many of the references in the action plan refer to the involvement of U.S. based PVO's. While we do not in any way deny the value of the work of U.S. based PVO's we believe that in order to more accurately assess local needs and resources the DFA must significantly expand the involvement of locally based private non-governmental organizations. We note also that the plan does not indicate what specific mechanisms will be used to facilitate participation and consultation.

It is clear that at present we do not have sufficient information to judge whether the Development Fund for Africa has either developed or used consultation mechanisms. We would therefore urge this committee to: (1) require A.I.D. to provide documentation of the nature and results of consultation with women and appropriate local indigenous African organizations and the impact of such consultations on development programs and (2) require A.I.D. to document how vulnerable groups are involved in formulating policy reform programs and how policy reform programs contribute to support for equitable and sustainable development and poverty alleviation.

STATEMENT OF SCOTT SKLAR, EXECUTIVE DIRECTOR, U.S. EXPORT COUNCIL FOR RENEWABLE ENERGY

Senator **Lautenberg**. The next panel is Mr. Sklar, Mr. Earl Kelly, and William Lavery. Mr. Lavery, did you submit written testimony?

Mr. **Lavery**. No, Senator; that will be here tomorrow morning.

Senator **Lautenberg**. OK. If you want to have an impact on the record, my suggestion is that you do that. Also, it does not permit the committee staff to get questions lined up, so please have it with us as soon as you can.

In the order of seating, Scott Sklar. The rules are the same. We have not gotten any more generous or any more understanding. Four minutes is 4 minutes.

Mr. **Sklar**. The U.S. Export Council for Renewable Energy was formed by the nine national renewable energy trade associations in the United States to promote exports of alcohol fuels, geothermal, hydropower, passive solar, photovoltaics, solar thermal, wind, and wood energy technology and services.

I would like to point out to the chairman that over 65 percent of our sales are exported to the Third World, and you may want to know that the largest photovoltaic manufacturer, one of the largest in the world, is based in the State of New Jersey.

The basic issue here is we have a very simple request. One, that the Energy Office at AID, which is funded at $10 million be increased and that that increase go to greater education programs in renewable energy and energy conservation for in-country mission directors in these countries that control all the money.

You may not know this, but most of our money in AID is energy and over 80 percent of the World Bank and the regional development banks go to support diesel generation in the Third World. It is inane. It makes these countries more dependent on foreign energy, it increases their debt, and not only that, but diesel generation, the diesel generators throughout the world are made mostly by the Japanese and Europeans, over 85 percent.

With our push a federally mandated interagency committee to promote renewable exports, the Committee on Renewable Energy, Commerce and Trade at AID published an educational brochure with our industries which shows that all renewable technologies can compete cost effectively against diesel and propane, which is the major fuel in these countries.

We find that our counterparts in the development programs—Germany and Japan, for instance—are more technically literate than ours and, as a result, their technologies get to these countries over ours.

The second issue is that the World Bank and other regional development banks basically do not know how to fund small-scale, decentralized technologies. We need the committee to direct that with our contribution to these banks, these institutions must develop ways to bundle financing. All they know is how to funnel large-scale, centralized projects.

I have to tell you that most of the large-scale, centralized projects have been failures in these countries because they are not maintained, the infrastructure is not developed, and as a result, you have brownouts six and seven times a day, you have generating stations with no wires. It is a shame.

I would also like to point out that we have had real problems with AID, even though I asked for more money to go to certain places. Three years ago I came to this subcommittee with evidence that AID specified Greek solar water equipment over United States. I came last year in front of this committee because AID specified Danish wind equipment over United States. This year I will submit to the committee a letter from a company trying to get small-scale hydroplants in the Philippines with support of the Department of Energy, with the support of AID in Washington, with the support of the Philippine Government, and the AID office in the Philippines declined to support the project and another U.S. venture is gone.

PREPARED STATEMENT

We are facing increased competition. As an example of this, 2 years ago the United States photovoltaic industry published this [shows prochure], and here is an example 1 year later of Japan publishing a very similar document. They even copied the graphics. We sent them a $1,500 bill for it. They did not pay.

The fact is, we need this committee's support because we think our industry meets our development goals and makes rational sense in any development strategy. Thank you, Mr. Chairman, for your support. We appreciate it.

[The statement follows:]

STATEMENT OF SCOTT SKLAR

INTRODUCTION

The U.S. Export Council for Renewable Energy (US/ECRE), is the umbrella organization of the nine national trade associations promoting exports of alcohol fuels, geothermal, hydropower, passive solar, photovoltaics, solar thermal, wind and wood energy technology and services. Our associations of manufacturers, service providers and component suppliers, urge the Subcommittee on Foreign Operations to:

- o Direct the US/AID Office of Energy to allocate more than half of their program resources to assist in training of practitioners, in-country, promoting development of renewable energy resources and energy conservation in Third World countries; and

- o Provide directions along with the U.S. contribution to the World Bank, Inter-American Development Bank, and other multilateral banks to establish aggressive renewable energy programs and report to the U.S. Congress yearly on their funding of these intiatives.

The reason for these requests are quite simple. International development programs have been biased towards large-scale, centralized, conventional energy projects and delivery systems. Increased imports of conventional energy account for an ever-increasing indebtedness of the Third World. Energy conservation alone will not meet the growth and expectations of the developing world. Energy production through the intelligent utilization of indigenous renewable resources appears to be the only answer.

Our international competitors have already redirected their development assistance programs to increase the use of renewable energy resources while building their renewable energy industries, in some cases to surpass the United States. The U.S. Agency for International Development has recently published, "Renewable Energy Agriculture & Health" which clearly describes a series of cost-effective renewable energy applications -- most of which can easily compete today against remote diesel generation and electric-grid extension. The development programs of the United States of America must expand these renewable energy applications many fold to promote real economic growth and curtail profound environmental degradation.

THIRD WORLD RELIANCE

One of the most overwhelming economic issues facing the developing countries is how to best initiate policies to deal with increasing Third World debt. This increasing debt has the potential to undermine our entire world economic system. Yet in the face of this reality, the basic policies of both the U.S. Agency for International Development and the international development banks in which we in-part fund, actively promote increased reliance of fossil fuels and large-scale electrical systems.

The economic arguements for renewable energy development are very clear. Greater use of indigenouse energy resources will offset conventional energy imports, and decrease debt. Greater use of renewable resources are very labor intensive, and will increase employment. Development of renewable energy resources will increase the rural access to energy thus stemming urban migration, and building rural economies. Use of renewable resources will promote reforestation, and decrease the mining of timberland.

The United States must come to terms with the need to build the local resource base of the Third World. Not only do current U.S.-supported programs encourage the use of diesel generation, in which most diesel generating systems are made by our international competitors, but these programs are undermining the expansion of the U.S. renewable energy industries. I know of no other industrialized country which follows the short-sighted development approach by the United States government. For example, the European Economic Community has commenced a $30 million program to provide photovoltaic (PV) water pumps to draught-stricken Africa. This "tied-aid" program, which is only open to European PV companies, will enable the smaller European photovoltaics industry to suprass the United States photovoltaics manufacturing capacity. It is time we turn these practises around, and become more savy.

The United States policy ought to be explicit. Development programs supported by the United States government must: 1) Support local resource development, 2) Offset coal, natural gas, and petroleum imports, and 3) Focus on rural development through renewable energy use and support urban energy development through utility management, energy conservation, and model energy privatization programs. Far too much assistance has been given to further conventional energy systems which are notoriously poorly managed, and it is time that our country acknowledge this fact.

THE WORLD'S ENVIRONMENT

Many agencies and experts have warned of the profound environmental degradation that has occured through deforestation and the burning of fossil fuels. While the United States is the primary culprit for world carbon emissions, global deforestation lays at the door of the developing world.

While these two issues are serious, another serious environmental problem is overlooked in the Third World. Due to the lack of emission controls and adequate waste and mining practises, severe health problems are institutionalized through the greater use of coal and fossil plants without environmental control equipment or adequate waste disposal technology. Many cities in the developing world are as bad as the industrialized nations during our own industrial revolution in the 19th century. The health impacts are too numerous to cite in this testimony.

Deforestation not only contributes to global warming and climate change, but is responsible for desertification and severe flooding of coastal plains. The use of biomass resources to encourage reforestation, and the institutionalization of reforestation practises to insure long term energy supply, is a sound policy.

Energy conserving technologies such as passive solar architecture or solar hot water heating are essential to displace the need for energy production. The tourist industry uses these technologies as a matter of course throughout the Third World. Now is the time to expand this technical experience to the mainstream of the developing world. Training and access to capital are the only two barriers to expand the use of these new technologies.

Both solar electric (photovoltaics) and wind energy have been proven as cost effective ways to produce electricity for remote applications which include lighting, water pumping/irrigation, refrigeration, and communications. Establishment of "bundling" many small applications into large projects for easy financing is critical to move these technologies into rural areas. One of the greatest environmental problems effecting the developing world is the rural migration to the cities. Only by spurring rural development through greater use of remote power will such trends be stemmed. Greater use of remote irrigation and water pumping can also be one of the answers to deforestation by turning deserts into, again, productive, job creating entities.

The World Bank, USAID, and the other multilateral banks appear to be infatuated with large-scale, centralized projects. Most of their funding supports the large-scale use of coal, diesel, and even hydropower. Even in our own country, the investment community has begun to turn away from very large-scale electric plants to smaller, more modular approaches to electric production. Modular electric plants allow the utility sector to be more responsive to market fluctuations. And quite frankly, if large power plants are not operating to capacity -- they aren't very economical. Most utilities in the Third World are poorly managed, experience great loss of electricity due to "line theft", and as a result are not reliable. Most programs of USID and the development banks, while acknowledging the problem, still promote the large-scale electric approach. The same could be said of transportation fuels, particularly in sugar-producing countries, where ethanol may supplant gasoline as a fleet fuel.

Biomass, geothermal, hydropower and solar thermal technologies produces thousand of megawatts in the United States today. Their use is expanding throughout the world at a rapid rate. Our industrial competitors are promoting these technologies far more aggressively than we are because they sense a lack of resolve to commercialize these applications by the United States. All the renewable energy technologies are more effectively used in smaller applications and fit best in modular production schemes.

However, large-scale projects have been fostered on the developing world causing wide-scale environmental degradation which will have serious health and climate impacts on all the world's peoples. Money is too scarce to be wasted on old views of technology and development. Too many times, the United States attempts to project our view of success through big energy plants or promoting energy schemes that may be unadaptable to a different culture or environment. Renewable resources and energy conservation can easily meet fifty-percent of the world's energy needs in an environmentally-benign and economically efficient way. We must begin to take advantage of these technological gains as soon as possible.

The USAID booklet attached to this testimony represents a set of technological solutions that ought to be immediately integrated on a large scale through our own development programs and those of the international development banks.

CONCLUSION

The industrialized countries must begin to set an example to improve Third World indebtedness. The industrialized nations, while establishing policies to curtail their own environmentally-degrading practises, must encourage environmentally-sensitive development in the Third World.

Sample programs must be established by the U.S. Agency for International Development to promote renewable energy. And while USAID's Energy Office must be maintained at least at the $10 million level, a majority of their activities must be directed towards:

1. Establishment of feasibility and loan guarantee programs for renewable energy development.
2. Creation of aggressive training programs of USAID Mission Directors and their technical advisors.
3. Announcement by the U.S. representative to the World Bank and other multilateral banks of new requirements for yearly reporting of funding and initiatives to encourage renewable resource and energy conservation practises.

In addition, the United States Congress should require an extensive reevaluation of our development programs requiring them to be more pragmatic and more supportive of private sector efforts, particularly when they fit the mission of our development agencies. The U.S. renewable energy industries are losing world market share primarily due to an unresponsive and inflexible USAID. Policies must be established to turn this around.

If the Third World is to be steered-away from following the poor examples of the industrialized world, it is imperative that the United States use our development programs to encourage the utilization of new technologies and programs. Most of the world does not have the kinds of environmental controls as we do in the industrialized world. One way to institutionalize environmentally-benign growth is through the use of renewable energy technologies. The United States must encourage this kind of long term development -- and it must be begun now.

RENEWABLE ENERGY ELECTRIC UTILITY GENERATION IN THE UNITED STATES AS OF 2/15/89

Anaerobic Digestion	17.94 MW
Geothermal	1,578.80 MW
Landfill Gas	49.82 MW
Municipal Solid Waste	630.60 MW
Photovoltaics	15.27 MW
Solar Thermal Power	201.25 MW
Wind	1,223.20 MW
Wood/Agricultural Wastes	3,189.26 MW
TOTAL:	6,906.14 MW

* Does not include hydropower (approximately 73,000 MW)

** Does not include plants under construction (approximately 2,407 MW)

*** Does not include conservation and energy management applications installed with renewable energy applications.

Senator LAUTENBERG. Thank you very much, Mr. Sklar.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question. How is the U.S. renewable energy industry measuring up against its foreign competition in the developing countries?

Answer. While the United States leads technologically in the biomass, geothermal, passive solar, photovoltaics, solar thermal, and wind energy technologies, our industries are losing market share for various reasons. Wind energy projects have been lost by American companies in India and Jordon due to concessionary financing by Denmark. The U.S. photovoltaic industry faces a major loss of market share in North Africa due to a $30 million tied aid program financed by the European Economic Community to promote the European Photovoltaic industry sales for photovoltaic water pumps and irrigation systems. The Japanese are selling a large amount of direct-burn biomass plants in the Caribbean Basin due to their easy access to export capital from their government. And all our international competitors have a far greater set of in-country incentives to promote the use of renewable energy applications within their countries -- and as you know an industry can more effectively compete in overseas markets with an expanding domestic market.

Question. Why aren't these alternative systems more popular? Is it that they can't compete economically? If they were economical wouldn't they be selling like hotcakes? Is it just that people don't know about them?

Answer. All of these technologies are very new, only about fifteen years old. The US/AID brochure titled, " Renewable Energy for Agriculture and Health" published in 1988 has 24 pages of charts showing that all renewable energy technologies can compete against convetional fuels in a wide range of applications -- and in almost all cases against diesel and propane in remote applications. There are three basic detriments or impediments to the wider use of renewable energy applications:

o US/AID and international development bank officials are uneducated about the newest advances in the technology and their cost competitiveness

o AID is more resistant to fund renewable energy applications because they are more familiar with conventional energy systems and that they have qualms with working closely with the private sector, even though our industries fit with the overall US/AID mission. However our international competitor nations have no problems in working intimately with their renewable energy private sector companies.

o The international development banks measure their success by lending the largest amounts of dollars while renewable energy projects are inherently smaller. New financing mechanisms are needed to bundle small renewable energy projects in a more financeable package. With little opportunity for our industries to access capital within this country to more effectively compete with our international competitors, it is essential for our industries to receive financing from the international development banks which finance most Third World development projects. Over 65 percent of U.S. renewable energy sales are exported to Third World countries.

These technologies are selling like hotcakes. For instance, U.S. photovoltaics sales are 25 percent higher than last year. Education iy a most critical factor. When the World Health Organization realized that delays in deliveries of propane and diesel fuel in Third World countries resulted in 20-70 percent of all medicines to spoil in conventionally-powered refrigerators, the economics of wind and photovoltaics resulted in less than an eighteen month payback to, in some cases, 6 months. Now WHO regularly specifies photovoltaic refrigerators. The United States must develop educational materials, consumer training programs, and more specialized training programs for AID and international bank decisionmakers.

Question. Did you know that this Committee, in its Fiscal Year 1989 report, directed the African Development Foundation to work with the renewable energy industry on joint initiatives? Has the renewable energy industry followed up on this? What would you do next year if the Committee includes similar language in its report?

Answer. US/ECRE was keenly aware of the report language in FY'89 to have the African Development Bank develop renewable energy initiatives in concert with the U.S. industry. We have had some staff-to-staff meetings on potential agendas but the Foundation had no additional resources to add to their own plans. The U.S. Export Council for Renewable Energy (US/ECRE), the umbrella group of the nine national renewable energy trade associations formed to promote renewable energy exports, welcomes new report language in FY'90 with an earmark of an additional $250,000 to develop a joint industry/foundation training program for African community technical assistance groups on renewable energy applications, including support of the Africa 1000 project to bring renewable energy projects to over 1000 African villages by the mid 1990's. I am sure that with some minor funding, a joint project will be realized that can be used a model throughout the African continent.

STATEMENT OF EARL KELLY, DIRECTOR, GOVERNMENTAL AFFAIRS, AMERICAN WIND ENERGY ASSOCIATION

Senator LAUTENBERG. We have next, Mr. Kelly.

Mr. KELLY. Thank you, Mr. Chairman. I am Earl Kelly, the director of government affairs for the American Wind Energy Association.

Senator LAUTENBERG. I thought I was the American Wind Association.

Mr. KELLY. I will summarize my longer testimony. There are just a few points I would like to emphasize. Our testimony points out that California has been the one State in the Union that has set policies very friendly toward renewable energy technology. So, our testimony points out what we have done in an environment where we are welcome.

Wind resources exist in probably 40 States that are as good as they are in California. But in the State of California we have about 16,000 commercial size turbines that are generating as much electricity as a medium-sized nuclear plant. That is no small feat. We are doing it. We are providing enough electricity for the needs of about 750,000 people.

If oil were used to generate that electricity, it would take 3 million barrels of oil per year. We are preventing that consumption of oil. If certain types of coal were used to generate that same amount of electricity, there would be 11 million pounds of air pollutants and 1.8 billion pounds of greenhouse gases emitted annually. As it is, wind is generating this electricity without any of these adverse environmental impacts.

Now, my second point is that we are doing this at a large scale in the United States. The Europeans, the Western Europeans, and other industrialized societies are seeing that this technology is for real. I think a lot of people in the United States have trouble believing that the renewable energy technologies in the United States are for real.

This year, for the first time in history, Western European nations will install more wind-powered turbine capacity than the United States will install. So, my point is that it can be used in large-scale facilities in industrialized nations. It can also be used in developing nations.

The World Bank, which is no great friend of renewable energy technology, released a study about 1½ years ago that showed that in 105 developing nations there are about 1,600 suitable sites for a commercial-sized, large-scale sized, wind farms, such as those that are in California. That is an awful lot of generating capacity potential being wasted or ignored at this time.

Now, just as large, commercial-scale wind energy and the other renewable energy projects can be used where there is a suitable utility grid, we have some rather unique advantages in how we can install them in local remote locations where there is no grid.

In our longer testimony we use an example of a village in Morocco that is—to my knowledge—not near any utility grid, but they had an urgent need for clean, potable drinking water and for water for their livestock.

They had two diesel powered generators driving pumps. One engine failed several times due to mechanical problems. The local people did not have the skill nor access to parts to keep the machine running.

Another problem was that over time the fuel costs kept getting higher and higher and they had to cut back on the one engine that would work.

Finally, through their government they contacted Bergey Windpower of Norman, OK, and asked for help. Bergey has since installed two small remote turbines that are driving pumps that are pumping about 150 percent of the water that was pumped when the two diesels were working at full capacity, and this is with no fuel overhead.

PREPARED STATEMENT

So, my purpose today, I would like to emphasize American Wind Energy Association's support for the policy points that Mr. Sklar has just raised. In fact, our association is a member of USECRE. I wanted to point out that wind energy is just one type of renewable energy in both the industrialized world and in the developing world. It can be installed incrementally as the need for electricity grows or as the ability to purchase equipment grows. So, it does not all have to be done at once. It does not have to be so terribly expensive.

Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF EARL KELLY

Mr. Chairman and Members of the Subcommittee, the American Wind Energy Association and its members truly appreciate this Subcommittee's examination of energy needs and applications in developing countries of the world.

For the Subcommittee's reference, the American Wind Energy Association (AWEA) is a trade association whose members include manufacturers of wind-powered electric turbines and turbine components, consultants specializing in renewable sources of energy, electric utilities, and environmentalists. AWEA was formed in 1974, and develops technical standards for wind-powered electric generating equipment.

The members of AWEA consider it a fact that for any society to achieve and maintain a standard of living that is capable of meeting the industrial, agricultural, and health needs of it s people, that society must have one or more sources of usable energy.

Because of the importance of electricity to all peoples, this testimony will examine five specific areas of concern. First, there is a discussion of large-scale renewable energy projects in the United States, and this section points out the role renewable energy can play in both developed and developing nations. Second, this testimony examines briefly the foreign markets that exist for renewable energy technology in both developed and developing nations. Third, there is an examination of the role renewable energy has in developing nations and, fourth, there is a case study of a wind-powered water-pumping project in Naima, Morocco.

The fifth section looks at policies and practices that discourage renewable energy projects in developing nations, and the testimony concludes with an Appendix entitled "Naima Project Manual," which provides a vivid example of the way wind energy can improve the lives of numerous peoples throughout the world.

Energy demand in the developing world is growing at a rapid pace as many countries seek to provide a better quality of life for their people. Demand for electric power in many developing countries is growing at an annual rate of five to ten percent (5-10%), for example, compared to a growth rate of two percent (2%) or less in the U.S.

As we all know, electricity is needed in the developing world to power factories, transportation, farm land irrigation, care for livestock, food processing and storage, pump potable water, and operate medical facilities.

The United States is indeed fortunate to have enjoyed for two hundred years one of the highest standards of living ever seen on the face of the earth. Without doubt, that high standard of living would not have been achievable but for an ample supply of energy. Today, however, we are seeing the adverse environmental effects which our energy production and consumption has produced, and we must make a concerted effort to ameliorate those environmental harms. Additionally, the United States has become increasingly reliant on foreign sources of energy, with the result that our economy and national security is being compromised and threatened on a daily basis.

Large-Scale Renewable Energy Projects in United States

In an effort to overcome the threats to our economy and national security, the United States, in the 1970s, began an unprecedented development of clean, renewable sources of energy. Once the immediate economic and security threats had passed, however, the federal government turned its attention to other matters, and the government's attention to renewable energy technologies was permitted to languish. Now, we are again giving sources of renewable energy some attention, since they offer a viable means of meeting our energy needs in an environmentally-benign manner.

Wind energy is one such environmentally-sound means of producing electricity. We should examine briefly the contributions wind energy is making to energy production and to the environment in the United States.

Today, there are over 16,000 commercial wind-powered turbines in the United States. Because the State of California implemented policy considerations aimed at promoting the usage of renewable sources of energy, most of those wind-powered turbines are located in that State. It should be noted, though, that wind resources exist which would permit wind-powered turbines to be productive in a majority of the States in the country.

The commercial wind-powered turbines in California have a generating capacity of approximately 1,400 megawatts, and they generate about 2 billion kilowatt-hours of electricity each year, or roughly the amount of energy delivered by a medium-sized nuclear plant. This is enough electricity to supply approximately 300,000 homes or 750,000 people, in a country where its citizens have a notorious capacity for consuming energy. This electricity is produced at a cost of between five cents and nine cents per kilowatt-hour (5-9 cents/kWh), which is cheaper than that produced by many new nuclear facilities.

Just as wind energy is contributing to electricity generation, the contribution to energy security made by the wind-powered turbines in California is outstanding. It would take approximately 3 million barrels of oil to produce the amount of electricity generated by these wind-powered turbines.

Wind energy's contribution to the environment is likewise noteworthy, in that the turbines operating in California offset approximately 11 million pounds of air pollutants and 1.8 billion pounds of greenhouse gases each year, if the electricity generated by these turbines had been produced by burning high sulfur coal.

As it is, the electricity generated by wind-powered turbines in California produced no nuclear waste requiring disposal, consumed very little petroleum that had to be imported and/or shipped, and did not cause the emission of sulfur dioxide, nitrogen oxides, or carbon dioxide.

It is important to note that today the American wind energy industry manufactures what is perhaps the highest quality wind-powered turbines in the world. Turbines produced in the United States today have a reliability factor of approximately 97% availability. The industry has achieved this level of equipment reliability even though federal funding for research and development has decreased approximately 90% during the past eight years.

Despite the accomplishments of the American wind energy industry, the future holds great dangers that could put an end to our manufacturing turbines and turbine components. Manufacturers of wind-powered turbines in other countries entered the field after the United States began examining the usage of wind-powered turbines, and they have borrowed heavily from American technology and experience in wind energy. Today, those foreign manufacturers are beginning to dominate the market.

Foreign Markets for Renewable Energy Technology

Market researchers have estimated that between $3 billion and $6 billion of renewable energy equipment will be sold per year worldwide by the year 2000. In other words, nations seeking to expand their electricity generation capacity will purchase renewable energy technology such as wind-powered turbines, a fact that should substantially assist in our concerted efforts to improve the environment.

Not just developing nations with small economies are utilizing renewable energy technology, and this year, for the first time in history, European installation of wind turbines will exceed the generating capacity installed in the United States, according to a report entitled Community Demonstration Programme in the Sector on Wind Energy, prepared by the European Commission's Directorate General for Energy.

The European Commission study points out, also, that the market for wind-powered turbines by the year 2000 will be even larger in China and India. Very significantly, the growing world market discussed in the European Commission Report will lead to the mass production of wind turbines, thereby reducing still further the cost of generating electricity by wind energy.

Role of Renewable Energy in Developing Nations

It is very logical that developing nations (and the industrialized world) would benefit if emerging nations used renewable sources of energy, as opposed to installing conventional electricity generating facilities.

First, renewable energy technologies can be installed incrementally, with generating capacity being increased as the demand grows and/or as the developing country is able to purchase electricity-generating equipment. Furthermore, renewable energy equipment generally is more easily serviced and repaired than is the larger, more expensive and more complex technology utilized in traditional generating facilities.

Second, operating oil-fired facilities will create a reliance on imported oil, and the result will be a crushing balance of payments burden on the fragile economies of developing countries.

Third, regardless of the type of centralized power facility a developing country might use, the cost of extending a utility grid to provide centralized electric power is very large, and will take many years to complete, if indeed it can be completed at all.

Fourth, unlike nuclear energy, clean renewable energy technologies do not require the same degree of managerial expertise and quality controls, if there is to be safe operation of the generating facilities. Furthermore, renewable energy technologies are almost completely waste free, and do not produce hazardous materials that pose long-term health and environmental threats.

Finally, reliance on conventional sources of energy (coal, oil, natural gas) contributes to global emissions of pollution and of carbon dioxide. If China and India, for example, both of which are developing and which possess large coal reserves, turn to coal for electric power on a scale similar to that used in the Untied States, global carbon dioxide (CO2) emissions will skyrocket.

Clearly, there are advantages to the developing nations and to the entire world if clean, renewable sources of energy are more widely utilized in developing nations. We recognize, however, that more than logic must exist for wind-powered turbines to be utilized, and the developing nations must have suitable wind resources, if wind-powered turbines are to be of value to them.

In 1987 the U.S. Department of Energy and the World Bank commissioned an investigation, entitled Study of the Potential for Wind Turbines in Developing Countries. The countries found to have the greatest wind energy potential (listed alphabetically) are:

Argentina
Brazil
Chile
* China
Colombia
Costa Rica
Cyprus
Egypt
* India
Jamaica
* Jordan
Kenya
* Mauritania
Morocco
* Pakistan
Peru
Portugal
Romania
Sri Lanka
Syria
Tanzania
Tunisia
Turkey
Uruguay
Venezuela
Yemen, Arab
Yemen, PDR
Zambia
Zimbabwe

* Denotes the five developing nations whose wind
resources are most appropriate for development.

The study used a somewhat inappropriate methodology and looked at wind energy in a traditional manner, in that wind sites located further than 50 km from an existing power grid were not included. This measure of wind energy's applicability is largely inapplicable because wind-powered turbines do not necessarily require the use of power grids and can be installed in remote locations, thereby expanding greatly the number of sites at which wind-powered turbines can work effectively.

Even utilising the stringent "50 km" requirement, the study identified 1,578 suitable wind stations located throughout 105 developing countries.

Where power grids do exist or where they eventually come to exist, wind-powered turbines can provide electricity directly into those grids, just as they are doing in three major areas of California.

Wind-Powered Water Project in Naima, Morocco:

One Case Study

American manufacturers of turbines are attempting to export technology to developing nations, and one excellent example is found in the village of Naima, Morocco, a settlement area with over 9,000 people. There, diesel engines once pumped water for human and livestock usage, but a few years ago these engines were replaced due to mechanical difficulties. Now, two Bergey Windpower machines, manufactured in Norman, Oklahoma, are providing water for this section of Morocco. These Bergey turbines are located some distance from the actual water pumps (due to preferable wind resources) and their electrical output drives developing nation or of the world's environment.

Put succinctly, two changes in policy would help promote the use of renewable energy technology in developing nations. First, the Congress should direct the U.S. Agency for International Development to allocate a specified portion of their program resources to assisting in training personnel and promoting usage of renewable energy resources and energy conservation in developing nations.

Second, the Congress should make the U.S. contribution to the World Bank, Inter-American Development Bank, and other multilateral banks to establish aggressive programs aimed at promoting renewable energy programs in developing nations.

THird, as part of American military assistance to other nations, the United States should require the receiving nations to utilise renewable energy technologies whenever those applications are feasible as part of their military operations and facilities.

Mr. Chairman and Members of the Subcommittee, on behalf of the members of the American Wind Energy Association, I would like to express our gratitude to the Subcommittee for examining the energy needs and applications in developing countries of the world. AWEA has attempted to illustrate how large-scale usage of wind energy projects in developed nations has produced improvements in wind-powered technology, has resulted in substantial electricity generation, and has benefitted the environment. Furthermore, AWEA has attempted to show that large- and small-scale applications of wind energy technology would benefit developing nations, and I have attempted to point out policy considerations that are hindering American participation in the growing international market for renewable energy technology.

Mr. Chairman, I hope that AWEA's testimony has been useful to this Subcommittee, and that the Subcommittee will act to have renewable energy technology play a greater role in meeting the needs of developing nations. This concludes my testimony, and I will be glad to answer any questions that I can.

Description of Systems

1. Project Overview

The Naima Commune Water Pumping Project is a water supply enhancement project being implemented by the Centre de Developpement des Energies Renouvelables (CDER), an agency of the Government of the Kingdom of Morocco. The project is supported by the U.S. Agency for International Development.

In the Naima project two advanced wind-electric water pumping systems are to be retrofitted to an existing water supply network serving three Commune douars (settlements). The existing system relies on diesel powered pumps.

1.1 Site Description

The Commune Rurale de Naima consists of some 200km^2 of open flat land in the Oujda Province, in northeast Morocco. The geographic center for the Commune would lie about 25km southwest of the city of Oujda.

The total population (1982) of the C.R. Naima is 9,109 with 1270 families. The population is widely dispersed in small douars of 20-40 families. There are some 16 public water points in the commune, including typically, a pump, a 50m^3 reservoir, livestock water trough and faucets. Drilled or hand dug wells currently serve 11 water points. Four are served by water gravity fed from other communes, and one is served by a solar pump.

1.2 The Current Pumping Systems

The Naima Commune water distribution system is shown in Figure 1. Water is pumped from a spring at Ain Tolba (next to the Oued Isly) with a 6.25 bhp Petter PH1 diesel engine/single stage centrifugal pump to a 200m^3 reservoir some 750m away. The static pumping head is about 18m. The current source output is 4-5 liters/sec. From this reservoir water flows by gravity a distance of 6km to Dar El Hamra, to a 100m^3 partially buried concrete tank. A water point at Dar El Hamra is served from this tank. Before reaching the tank, part of the water is diverted to flow 3km by gravity to a 60m^3 reservoir and water point at Hachleff. Also from Dar El Hamra water is pumped from the 100m^3 tank to Rmilat, with a static head of 75m. A 6.25 bph Petter PH1 diesel engine/multistage horizontal axis Grundfos pump provides the pumping power.

The pumping rates have been estimated to be 3 liters/sec at Ain Tolba and 2 liters/sec at Dar El Hamra. At Ain Tolba the operator estimates that he runs the pump 2-4 hrs/day in the winter and 5 hrs/day in the summer. At Dar El Hamra the operator estimates that he runs the pump 2 hrs/day in the winter and 3 hrs/day in the summer. In both cases pump operation is limited by the funds available for fuel.

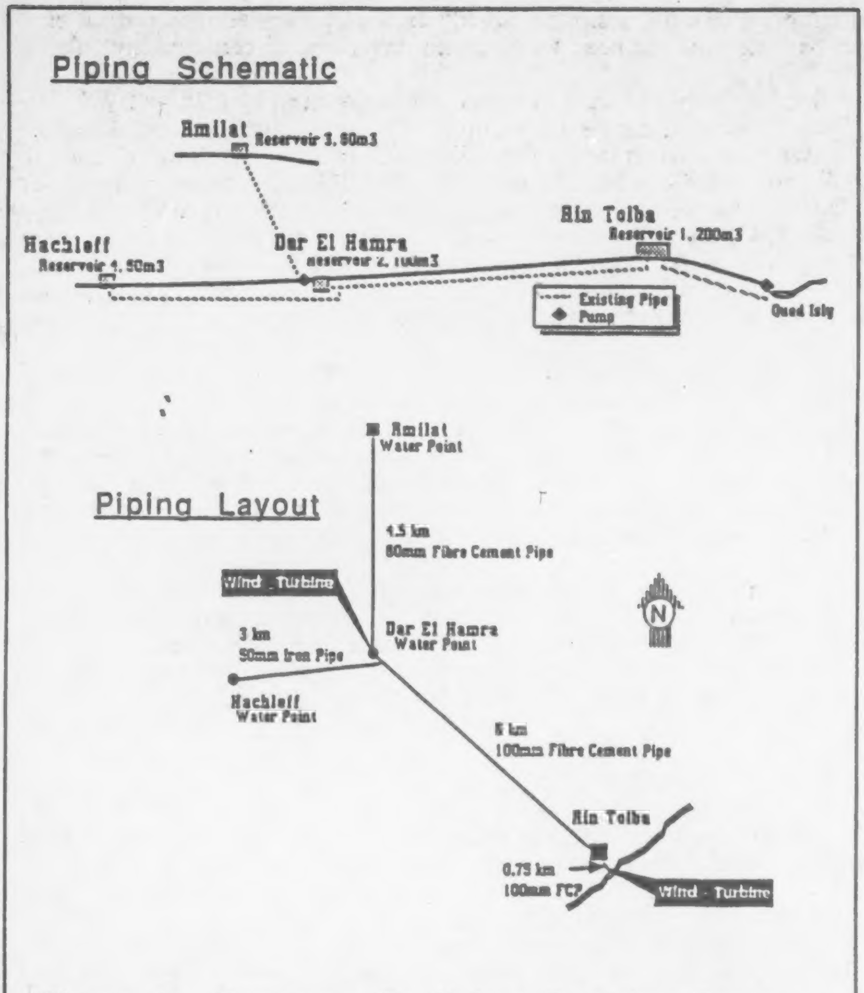
Piping Schematic
Amilat
Reservoir 3, 80m3
Ain Tolba
Reservoir 1, 200m3
Hachleff
Reservoir 4, 50m3
Dar El Hamra
Reservoir 2, 100m3
Existing Pipe
Pump
Oued Isly
Piping Layout
Amilat
Water Point
4.5 km
80mm Fibre Cement Pipe
Wind Turbine
3 km
50mm Iron Pipe
Dar El Hamra
Water Point
Hachleff
Water Point
N
5 km
100mm Fibre Cement Pipe
Ain Tolba
0.75 km
100mm FCP
Wind Turbine

Figure 1: Commune De Naima Pumping System

Through surveys with the system operators and the local population, the CDER has attempted to determine how much water could be used if pumping costs were not a constraint. CDER has estimated that the actual demand for Ain Tolba is $71m^3$/day in the winter and $100m^3$/day in the summer. They have estimated the actual demand at Dar El Hamra to be $26m^3$/day in the winter and $37m^3$/day in the summer. These amounts are 71-119% higher than the deliveries presently provided by the diesel powered pumps.

1.3 The New Pumping Systems

Following a competitive procurement in 1987, a contract was awarded to Bergey Windpower Co. (BWC) of Norman, OK, in April, 1988 to supply two wind-electric water pumping systems for the Naima project. Both systems will use new wind turbine technology developed by BWC which allows centrifugal pump motors to be directly driven by the electrical output of a wind turbine, without need for batteries, inverters, or complex controls.

Both of the new pumping systems will be powered by a 10kw BWC EXCEL-PD wind turbine installed on a 24m guyed lattice tower. Although the water pumping version of the BWC EXCEL is new, the wind turbine itself is well proven in 300+ installations worldwide. A new product bulletin for the EXCEL-PD is attached at the end of this summary. At Ain Tolba the wind turbine will drive a five-stage Grundfos 80S50-5 submersible pump installed in a specially constructed 50m^3 tank adjacent to the existing diesel pump building. Due to the complex nature of the local terrain the wind turbine will be installed approximately 220m from the pump.

At Dar El Hamra the second wind turbine will drive a twenty-six-stage Grundfos 25S50-26 submersible pump installed in the existing 100m^3 tank. In both cases the new pumps will be installed in parallel with the existing diesel pumps so that the diesel pumps can provide back-up in the event of extended wind lulls or wind turbine malfunction. Both sites will be equipped with instrumentation for wind characteristics, energy production, pump performance, and operating hours.

The new 50m^3 tank at Ain Tolba and the wind turbine tower foundations are being constructed by the Delegation Provinciale d'Agriculture (DPA) in Oujda. CDER will install the wind turbines under the supervision of BWC. Operational support and maintenance for the turbines will be provided by Maroc Aero Energie of Oujda, under direct contract with BWC.

1.4 Expected Performance

CDER has provided a detailed analysis of 37 years of wind data from the airport at Oujda. They have developed a "design year" wind regime in monthly average wind speeds by subtracting one standard deviation from the historical monthly average wind speeds. The "design year" annual average wind speed is 4.11m/s and the low wind speed month is October at 3.6m/s. Looking at inter-annual wind resource variations, the wind resource at Oujda should be higher than the "design year" regime 84% of the time.

Using field tested flow curves (instantaneous flow rate vs. wind speed) for the two configurations and CDER's "design year" wind regime, BWC expects the EXCEL-PD's to provide approximately 130% of the target delivery for Ain Tolba and 80% of the target delivery for Dar El Hamra during the worst case month of October.

Description of System Components

1. Wind Turbines

The wind turbines are Bergey Windpower BWC EXCEL-PD units rated at a nominal 10 kilowatts. The EXCEL is a three-blade upwind horizontal axis wind turbine with a rotor diameter of 7 meters (23 ft). The rotor drives an alternator that produces a three-phase alternating current (AC) that varies in voltage and frequency with wind speed. This electrical output is used to drive the three-phase induction motors on the pumps at variable speed.

Pump operation on the EXCEL-PD is controlled by the Pump Control Unit (PCU). The PCU is an electrical unit that provides monitoring of the system operational status and controls the electrical connection between the wind turbine and pump. As no power conditioning is required the PCU is basically a smart three-phase contactor. External sensors, a float switch and a pressure switch, are used to identify abnormal operating conditions and allow PCU shutdown of the system.

2. Towers

The tower is a 24.4 m. (80 ft.) Utility Tower Company type 340 guyed lattice tower with a guy radius of 12.2 m. . The basic lattice element of the tower is a 20 ft. long section with a triangular cross section measuring 18 in. on a side. All lattice sections in the tower are composed of solid steel elements and the complete sections are hot-dip galvanized after fabrication. The tower has horizontal girts spaced 16 in. apart, so it is readily climbable. The tower is fitted with a anti-fall device for the protection of service personnel.

The tower has three sub-surface concrete anchors for the guy wires. The tower has two guy levels, one at the 32 ft. elevation and another at 68 ft. .

3. Pumps

Both systems use Grundfos multi-stage submersible pumps. The Ain Tolba system uses a five stage Grundfos 80S50-5 and the Dar El Hamra system uses a 26 stage 25S50-26. Both pumps are nominally rated at 5 hp (60 hz) but are fitted with 7.5 hp motors. The pump motors are 4 in. diameter, three phase, 230 VAC units. The motors and the pump ends are stock items. Each pump is fitted with a flow inducer housing to reduce heat build-up in the motors.

The pumps are driven at variable speed directly by the wind turbine output. The output flow rate from the pumps is, therefore, dependent upon wind speed.

4. Water Delivery Monitoring Systems

The instantaneous flow rate and cumulative water delivery for each system is monitored with a Kent Series 3000 Turbine Flow Meter. These flow meters are placed between the pump and the connection point to the existing diesel pump piping, so that only the wind-powered pumping is monitored. Each of the Kent flow meters is also fitted with a remote electronic display specifically calibrated in metric units (liters/second and cubic meters).

5. Power Production Monitoring Systems

A specially built AC kilowatt-hour meter is installed between the wind turbine and pump at each site. These KWH meters monitor cumulative energy production so that a measure of system efficiency can be obtained. The KWH units had to be specially built because they must monitor three phase AC, which varies in frequency from 0 - 120 hz.

6. Wind Characteristics Monitoring Systems

Each site is fitted with a Second Wind AL2000-S wind monitoring system, with its sensors installed on an 80 ft. NRG Tall Tower instrumentation mast. The Second Wind AL2000-S records wind speed histograms, wind roses, lull durations, and hourly average wind speeds. This information will allow detailed performance analyses to be made of the EXCEL-PD systems. The NRG Tall Tower places the anemometers and wind direction sensors at the turbine hub height, which negates the need for making shear corrections.

Senator Lautenberg. Thank you very much, Mr. Kelly. It is good to hear that there are possibilities out there that exist not yet taken seriously enough but that produce fairly high volumes of expendable, if I can call it that, energy, renewable energy as you might call it.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

AMERICAN WIND ENERGY ASSOCIATION

WIND ENERGY'S POTENTIAL IN DEVELOPING NATIONS

Question. How much potential is there for generating wind power in the developing countries--what portion of those countries' energy needs could be filled by wind-generated electricity?

Answer. Approximately 20% - 30%. of the developing countries' energy needs could be filled by wind-generated electricity.

Wind energy's potential varies widely from country to country throughout the developing world, mainly because wind is a highly site-specific technology. (The energy contained in the wind is a function of the CUBE of the wind speed, which means that small variations in average wind speed mean large differences in power output. A wind turbine at a site with 12 mph average winds, for example, could be expected to deliver 73% more power than a turbine at a 10 mph site.) Some countries, such as Argentina, have more than enough wind power to theoretically supply all of their electric power needs, if a form of storage could be provided. At the same time, a very small number of developing countries appear to have few good wind sites.

To use the United States as an example of wind resources, several studies have concluded that wind energy could supply from 20 - 40% of the United States's current electric power demand. It should be kept in mind that the U.S. is not unusually blessed with good wind energy sites, and it seems reasonable to suppose that similar amounts of energy could be provided by wind in developing countries.

As our testimony noted, wind energy is particularly well suited to the needs of developing countries because wind turbines are economically attractive at much smaller sizes than traditional power plants and can be installed in combination with diesel generators or other types of systems, such as photovoltaics, and batteries as "stand-alone" (non-grid-connected) power sources.

WIND ENERGY IN INDIA AND CHINA

Question. I notice from your testimony that India and China--two countries which together make up 2/5's of the world's population, are very suitable for wind power development. Are they building wind power plants? If not, why not?

Answer. Both India and China have active windpower research programs and have installed some machines. India has purchased a few dozen small (residential, <10 kW) wind turbines from U.S. manufacturers for village power. India has also installed several demonstration wind power plants of several turbines each, and some of these have been operating for 3-4 years. All of these windfarms have consisted entirely of Danish turbines installed under a tied aid program from the Danish International Development Agency (DANIDA). India has ambitious plans to continue installing windfarms over the next decade, but it is uncertain whether these plans will be fulfilled.

China has concentrated its initial efforts on very small wind turbines for nomads, who generally live in northern and western provinces with high wind speeds and no utility grids. China is the world's leading manufacturer of turbines in this size range (<1 kW), with tens of thousands of units having been built and installed. Plans are underway in China to install 120,000 such turbines in the very near future, and it is anticipated that most of these turbines will be made in China, even though they are a much inferior quality than those made in the United States. One American manufacturer who is attempting to sell turbines to China specializes in this size of turbine (which weighs less than 20 pounds each and can be mounted on a 2" pipe for a tower). They sell for less than $500.00 each when purchased in bulk. These machines are designed to last 25 years before requiring any overhaul, and can be overhauled for under $10.00 each. These turbines operate in wind speeds of as low as 8 mph and can withstand wind speeds in excess of 125 mph. The manufacturer provides an unconditional two-year warranty on each of its turbines.

China's efforts in windfarm-size wind-powered turbines have been confined to date to research and the purchase of a very few machines. The government of Inner Mongolia recently agreed to buy five 100-kW turbines (manufactured by U.S. WINDPOWER, Inc.) for a demonstration windfarm. Manufacture of these machines is completed and they will be shipped to Inner Mongolia on August 15, 1989. Personnel from Inner Mongolia will be at U.S. WINDPOWER in mid-August for training, and they and U.S. WINDPOWER personnel will install the turbines in October 1989.

Obstacles to the speedy development of windpower in both China and India include the following four items:

A) Need to conserve hard currency. Both countries seek to limit imports.

B) Technological risk. Promotion of a new technology is risky for the employee of a bureaucracy who champions it, and it is widely known that in past years wind turbines suffered from problems of reliability. Today, those reliability problems have been overcome, but the adverse image remains in the minds of many of the persons who seek to purchase and/or who seek to finance electricity generating equipment.

C) Lack of international lending programs which are geared to projects of an appropriate size. Multilateral development banks prefer to deal in larger projects involving hundreds of millions of dollars, but wind projects of that size are viewed as pioneering and risky.

D) Lack of adequate technical information with a government stamp of approval.

STATEMENT OF WILLIAM LAVERY, CHANCELLOR EMERITUS, VIRGINIA POLYTECHNIC INSTITUTE REPRESENTING THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND GRANT COLLEGES

Senator LAUTENBERG. Mr. Lavery.

Mr. LAVERY. Thank you, Mr. Chairman. I am representing the National Association of State Universities and Land Grant Colleges today which represents about 150 of the primary public research institutions in the United States including 72 of the 1,862 land grant colleges—which I might mention Rutgers is a member—and 17 of the historically black 1,890 land grant colleges in the United States. I will have copies of my testimony, Mr. Chairman, to you and to the committee in the morning.

These institutions have been actively engaged—as you well know, Mr. Chairman—in education, and in training and technical assistance programs in the developing countries for some four decades ago. We look forward to continuing these very successful programs working now under the title XII legislation which facilitates the involvement of U.S. universities with AID's development assistance programs.

Continually, available data emphasizes the importance to U.S. interests of economic growth in the developing countries developing markets for agriculture commodities, and access to germplasm, in collaborative research, in improving agriculture technology, and in conserving and managing our natural resources.

Mr. Chairman, we do understand the limited budget resources within which you must allocate funding. Therefore, we recommend placing some special attention on agriculture, rural development, nutrition, and natural resources. The request of $460 million is simply too low to address continuing problems of food and agriculture and at the same time respond to concerns with the environment and natural resource management.

We believe that the Board for International Food and Agriculture Development, of which I am a member, could assist AID in reviewing these programs. Looking at AID staffing in this area we see a very steady decline in expertise in agriculture. Looking at Africa, for example, where the new Fund for Africa allows more flexibility for AID for programs, we see a 30-percent decline in agriculturalists. Here, where food production and distribution problems continue, the rapid decline of AID support in this area should be noted.

A growing concern about urbanization, which we all have, should not, in our judgment, limit support for agriculture. The people are fleeing the rural areas because of lack of economic growth, and we need to look for better solutions.

Africa needs assistance in building its own institutions responsive to the agriculture research and production problems indigenous to Africa. U.S. universities are involved through title XII agriculture faculty development programs that should be expanded and supported.

Second, we need to generate new knowledge and technology. The United States has a unique capacity in science and technology which is in much demand by the developing countries. U.S. colleges and universities provide not only training and education but assist in building local institutions which allow these countries to build the capacity to work and solve their own problems. This is the road to sustainable development, and these programs have consistently been underfunded within AID.

For this reason, then, we are asking special attention to these programs. We ask that not less than $5 million be added to ongoing collaborative research support programs and other research programs within the Office of Agriculture to effectively use existing scientific networks to address sustainable problems.

We also ask additional resources for social sciences in the natural resources in the Office of Rural and Institutional Development and additional resources for agro-forestry and resource management. The expertise is available in many universities such as Rutgers and the University of Vermont, and yet we find very little access of opportunities within AID.

PREPARED STATEMENT

As Mr. Stoel, a previous witness, has testified, BIFAD recently had a task force report on sustainable agriculture. The report suggests massive multidonor research programs. So, in particular we support the recommendations for sustainable agriculture and collaborative research support programs. We feel it is necessary that the United States has this expertise, Mr. Chairman.

We appreciate the opportunity to appear before you today, and we will have our testimony to you in the morning.

[The statement follows:]

STATEMENT OF WILLIAM E. LAVERY

I am here today on behalf of the National Association of State Universities and Land-Grant Colleges, which represents about 150 of the primary public research institutions in the U.S., including 72 of the 1862 land-grant colleges and 17 of the hisotrically black 1890 land-grant colleges in the U.S.

These institutions have been actively engaged in education, training and technical assistance programs in the developing countries for more than four decades. We look forward to continuing these successful programs, working now under the Title XII legislation which facilitates the involvement of U.S. universities with U.S. AID's development assistance programs.

Continuing data available emphasizes the importance of economic growth in the developing countries to our own U.S. interests — in developing markets for our agricultural commodities, in access to germplasm and in collaborative research, in improving agricultural technology, and in conserving and managing natural resources.

Understanding the limited budget resources within which you must allocate funding, therefore we recommend placing special attention on:

o Agriculture, rural development, nutrition and natural resources— the administration's request of $461 million is simply too low to address the continuing problems of food and agriculture, and will sharply limit the agency's ability to respond to concerns with environment and natural resource management.

The environment cannot be saved as long as there are hungry people. Approximately 20 percent of the world's population are already malnourished and the number of people in the world's poorest countries will double within the next 20 to 25 years. Except for where the Green Revvolution technologies have worked, food to satisfy growing populations in the developing countries has come from increasing areas of land cultivated. In most places, this is no longer possible, because the good land is already under cultivation and the environmental costs of farming the marginal lands are unacceptable.

Despite these concerns, there has been a continual decline of food and agricultural development programs within the agency over the past few years. Moreover, as the number of agriculturalists within the agency continues to decline, the outlook for effective development programs which address food production and distribution problems is greatly diminished. In view of the predominate capability of the U.S. in the agricultural field, the success of U.S. Title XII programs to provide the technical expertise needed in this area, and the close relationship to the success of these programs and the interests of the U.S. agricultural community, we urge this committee to place special consideration on the agricultural, rural development, nutrition and natural resource programs of the agency.

We believe that BIFAD could assist the agency in a review of these programs, to look at its structural organization and its ability to respond to the developing world's needs for food and fiber. The success of such programs is directly related to the concerns of conserving natural resources for sustainable development in the Third World. The continued decline in this area must be addressed.

There continues to be a steady decline of expertise in agriculture in AID's staffing. Looking at Africa, where the new African Fund allows more flexiblity for the agency for programs, there has been a 30 percent decline in agriculturalists. Here, where food production and distribution problems continue, the rapid decline of AID programs in this area should be noted. A growing concern on urbanization should not limit support for agriculture; the people are fleeing the rural areas because of lack of economic growth and we need to look for better solutions.

Africa needs assistance in building its own institutions, responsive to the agricultural research and production problems indigenous to Africa. U.S. colleges and universities provide not only training and education, but assist in building local institutions which allow these countries to build the capacity to work on and solve their own problems—this is the road to sustainable development.

Yet these programs have consistently been underfunded within the agency. For this reason, we are asking for increased funds these programs:

- **Not less than $5 million be added to on-going Collaborative Research Support Programs and other research programs within the Office of Agriculture** — to effectively use existing scientific networks to address sustainable agricultural problems

- **$10 million to establish a new Collaborative Research Support Program in sustainable agriculture** — BIFAD, working with representatives from many of the environmental groups here today, recently established a Taskforce on Sustainable Agriculture which recommended a massive multi-donor research program to generate new knowledge and technology needed in this area. We believe that it is very important that the U.S. offer leadership in this area and this CRSP is a critical first step.

- **Additional funding for social sciences in natural resources in the Office of Rural and Institutional development.** Here, I would like to emphasize the special needs for social scientists to become involved in environmental programs—the success of much of these conservation and natural resource programs will depend on more emphasis on the way that people behave—we need more integrated programs, such as those now underway in the Office of Rural and Institutional Development.

- **Additional funding for forestry and resource management**— there is needed expertise available in many U.S. universities — such as the University of Vermont — yet little access or opportunities within AID.

- **Additional funding for the development of aquatic resources**— there is increasing capability in the U.S. for aquaculture and fisheries programs; U.S. scientists again collaborating with their counterparts in the developing world to increase food and protein sources.

STATEMENT OF E.U. CURTIS BOHLEN, SENIOR VICE PRESIDENT, WORLD WILDLIFE FUND

Senator LAUTENBERG. We will now ask the next panel to come to the witness table. That is Mr. Bohlen, Ms. Wynne, and Ms. Rhee, please.

There are four of you. I have three names. Are two of you one?

Ms. WYNNE. Mr. Chairman, Mr. Furness and I are going to share our time together if that is all right with you.

Senator LAUTENBERG. No problem. Four minutes, however, gets divided equally between you.

I would ask first that Mr. Bohlen testify and, again, each of you has 4 minutes and the chairman is merciless when it comes to the clock. So, Mr. Bohlen.

Mr. BOHLEN. Thank you, Mr. Chairman.

I will focus today on those international treaties and organizations that we have found to be most effective in conserving critical biological resources in Latin America, Africa, and Asia.

We would request the subcommittee to appropriate the following amounts: First, $750,000 for the U.S. contribution to the Convention on International Trade in Endangered Species, otherwise known as CITES. CITES represents the efforts of 102 nations to work together to protect threatened and endangered species of plants and animals from uncontrolled exploitation in international trade.

The success of these efforts depends upon the ability of the Convention Secretariat to monitor trade and work with individual nations to enforce CITES regulations. We strongly recommend $750,000 for CITES in fiscal year 1990. Of this amount $650,000 should be made available to cover current dues and past arrearages. The other $100,000 are needed to fund high priority activities that are not covered by the Secretariat's regular budget.

The office of the U.S. Management Authority within the Fish and Wildlife Service should be delegated the authority to dispense this extra $100,000 for essential projects as the need arise.

Second, $231,000 for the U.S. dues and arrearages to the International Tropical Timber Organization. ITTO's 43-member governments include those timber producing and consuming nations that account for 95 percent of the world's trade in tropical hardwoods. ITTO provides the only multinational forum whereby sustainable management can be phased in as an alternative to today's unsustainable and ecologically devastating mining of tropical forests. In addition to dues, we recommend $1 million for ITTO's voluntary project fund to promote sustainable management of tropical forests.

Third, $450,000 for the U.S. voluntary contribution to the World Heritage Fund. This convention is a unique effort by 108 state parties to protect areas of unusual natural quality as well as to those of outstanding historical and cultural values.

Fourth, $180,000 for U.S. membership and dues in the International Union for Conservation of Nature. IUCN and its network of voluntary scientists and specialists work collaboratively with nations throughout the developing world on a range of conservation issues. Strong U.S. participation in IUCN would significantly enhance the ability of this unique international organization to help developing countries conserve species and ecosystems critical to their economic well-being.

Fifth, $200,000 for the U.S. voluntary contribution to the Ramsar Convention on Wetlands of International Importance. As with tropical forests, wetlands are a high priority for conservation because of their biological and genetic productivity. Their function in providing man with fuel, food, and livelihood, their ecological role in controlling floods and because they provide habitat to a diverse range of species.

Sixth, $17 million for the U.N. Environmental Program. UNEP clearly came into its own this past year by skillfully steering the Montreal Protocol through scientific uncertainty and political mistrust. To be fully effective UNEP requires a significant boost in funding.

Finally, we recommend that Congress provide $100,000 for the Intergovernmental Panel on Climate Change. As scientific consensus mounts that global warming is a reality, efforts to mitigate its effects must begin immediately. U.S. support becomes imperative for groups such as this which are being called together to search for cooperative approaches and solutions.

We believe the appropriations we have suggested would greatly strengthen implementation of these treaties and programs which have proven so effective to date.

Mr. Chairman, if I could also add a few comments and urge—I would like this testimony to be on behalf of the World Wildlife Fund, World Conservation International, and the African Elephant Conservation Coordinating Group—to urge this subcommittee to appropriate at least $3 million to help African nations protect their elephants from extinction.

Africa is fast losing one of its most valuable natural resources. Elephant populations are being decimated by poaching and illegal trade in ivory. In 10 years, the continental population has plummeted from an estimated 1.3 million in 1979 to less than 625,000 today.

On June 1, WCI and WWF called on ivory-consuming countries to ban all ivory imports.

PREPARED STATEMENT

Senator **Lautenberg**. Mr. Bohlen, we will have to ask that at this point you end your testimony. We will have, again, the full text of your valuable comments in the record. We thank you very much, sir.

[The statement follows:]

STATEMENT OF E. V. CURTIS BOHLEN

Mr. Chairman, members of the Subcommittee, I am E. U. Curtis Bohlen, Senior Vice President of World Wildlife Fund. I appreciate this opportunity to present World Wildlife Fund's recommendations for appropriations that we deem essential to protect the global environment in the coming fiscal year.

I will focus on those international treaties and organizations that we have found to be most effective in conserving critical biological resources in Latin America, Africa and Asia: the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the International Union for the Conservation of Nature (IUCN), the International Tropical Timber Organization (ITTO), the World Heritage Convention, the Ramsar Convention on Wetlands of International Importance, and the United Nations Environment Programme (UNEP). World Wildlife Fund's experience has been that these international programs, for a minimal financial investment, provide a cost-effective means to protect the environment and conserve natural resources. Through specific appropriations Congress can make an immediate difference in helping these programs fulfill their potential.

If Congress authorizes the funds that World Wildlife Fund recommends for each of these critical programs, it would significantly strengthen the United States' position as a world leader in international conservation efforts. Specifically, we recommend:

o $750,000 from the International Organizations and Programs account for the United States' contribution to the Convention on International Trade in Endangered Species. CITES represents the efforts of 102 nations to work together to protect threatened and endangered species of plants and animals from uncontrolled exploitation for international trade. Its effective implementation is crucial to the survival of many species, including the African elephant, which are under tremendous pressure from illegal wildlife trafficking.

The success of these efforts depends upon the ability of the Convention Secretariat to monitor trade and work with individual nations to enforce CITES regulations. Because enforcement is left to individual nations, the treaty's effectiveness very much depends upon a strong Secretariat which can work with member governments. The Secretariat maintains lists of species for which international trade must be controlled (revised lists now cover more than 20,000 species), establishes a framework for governments and non-governmental organizations to monitor wildlife trade, coordinates a network of national Management Authorities and Scientific Authorities to control species in trade, and provides a Trust Fund to finance the Secretariat and meetings of the Conference of the Parties.

When CITES is effectively implemented it can produce broad-ranging economic as well as environmental benefits. It is clear that if exploitation of natural resources for commerce -- be they elephants for ivory, rare birds for the illegal pet market, or endangered species of orchids for horticultural display -- continues at a non-sustainable pace, the long-term economic costs of their loss will be enormous.

The United States has been a leader in supporting this most important Convention, and indeed played a major role in its negotiation sixteen years ago. In FY 1989, the Congress appropriated $650,000 for CITES, enough to cover 1988 dues and some of the unpaid dues from earlier years. We strongly recommend a like appropriation for FY 1990. Of this amount $500,000 should be made available to CITES to cover current dues and past arrearages. The other $250,000 are needed to fund high priority activities that are not covered by the Secretariat's regular budget. The office of the U.S. Management Authority within the Fish and Wildlife Service should be delegated the authority to dispense this $250,000 for essential projects as needs arise.

o $231,000 for United States dues and arrearages to the International Tropical Timber Organization. ITTO, a commodity group formed in 1985 under United Nations auspices to implement the International Tropical Timber Agreement, is the most promising forum in which the United States can promote sustainable tropical logging practices. ITTO's 43 member governments include those timber producing and consuming nations that account for 95% of the world's trade in tropical hardwoods.

One early accomplishment of this young organization was to define sustainable management of tropical forests as a primary goal. A second accomplishment has been to complete a major review of the state of tropical forest management in member countries. This report showed that the area of tropical forests under sustainable management for timber production is negligible. An inevitable corollary of this finding is that without major reforms to ensure that only sustainable harvesting is carried out, the tropical timber trade will cease in a very few years as tropical forests and their enormously valuable environmental and economic resources are irreversibly damaged.

ITTO provides the only multi-national forum for policy dialogue and coordination whereby sustainable management -- with a strong conservation component -- can be phased in as an alternative to today's totally unsustainable and ecologically devastating "mining" of tropical forests. Strong United States participation in ITTO is essential if the organization's conservation objectives are to be met. United States voting privileges, however, are currently suspended because we have not contributed our share of funds, weakening our influence in this most important forum.

World Wildlife Fund therefore believes it is very important that Congress appropriate the full $231,000 requested to cover the $120,000 in dues owed by the United States to ITTO in Fiscal Year 1990 plus a substantial portion of existing arrearages. These funds should be included in a line item in the State Department's Conferences and International Organizations account.

o $1 million for ITTO's voluntary project fund. Beyond reviewing management practices and providing a forum for policy dialogue, a third key objective for ITTO is to devise and implement means to promote sustainable management of tropical forests. Little progress has been made towards this objective because of the limited contributions to the organization's voluntary project fund. At the last ITTO Council meeting, a resolution defining concrete priorities for such projects was agreed upon, and there is now a critical need for such funding if ITTO's momentum and credibility are to be maintained. We urge Congress to appropriate $1 million for the project fund in FY1990, and provide a line item in the foreign assistance budget for the project fund.

o $450,000 for the United States' voluntary contribution to the World Heritage Fund. The World Heritage Fund is the international mechanism which implements the World Heritage Convention. It is a unique effort by 108 state parties to identify, give recognition to, and protect areas of unusual natural quality as well as to those of outstanding historical and cultural value. Although it focuses on sites of world significance, the treaty provides broad support for the environment by encouraging and assisting protection of developing nations' natural and cultural heritages, an effort in which the United States has a great stake.

The World Heritage Fund provides approximately $2.5 million in grants to member nations annually for technical assistance, training, and management of areas judged to be of outstanding importance to mankind. By improving management of these areas, the World Heritage Fund also provides significant economic benefits to member nations through increased tourism. This includes the United States. Since Mesa Verde National Park was declared a World Heritage Site, for example, foreign visitation has increased by nearly half. To many developing nations, the benign foreign assistance this convention provides and the benefits which flow from it are significant.

Although the Convention was originally a United States initiative, our government has consistently failed to provide adequate funding. The program was "zeroed out" of the federal budget for several years in the early 1980's until Congress restored United States participation in 1984. We urge Congress to continue to support this valuable program by providing $450,000 for the World Heritage Fund this year through a line item in the International Organizations and Programs account.

o $180,000 through the Conferences and International Organizations account for United States membership and dues in the International Union for Conservation of Nature (IUCN). IUCN is a unique worldwide union of state members, government agency members, and non-governmental organizations. IUCN and its network of volunteer scientists and specialists work collaboratively with nations throughout the developing world on a range of conservation issues, including endangered species, national parks and protected areas, tropical forest loss, wetlands protection, coastal and marine conservation, policy planning and sustainable development, international environmental law and treaties, and conservation data collection, assessment and dissemination. On this last activity, it is important to note the important role of IUCN, along with WWF and UNEP, in establishing and maintaining the World Conservation Monitoring Centre, the world's foremost conservation data center.

The United States is currently the only major OECD country besides Japan that is not a state member of IUCN -- although the Fish and Wildlife Service, National Park Service, Forest Service, and National Oceanic and Atmospheric Administration are agency members. This year, language has been included in the State Department authorization bill to allow the U.S. to become a state member. Strong United States participation in IUCN would significantly enhance the ability of this unique international organization to help developing countries conserve species and ecosystems that are critical to their economic well-being.

It is important that our government pays its dues promptly. We recommend that the Congress provide $180,000 and a line item in the Conferences and International Organizations account. The funds requested are only one-tenth of the amount that World Wildlife Fund contributes to IUCN each year.

o $200,000 for the United States' voluntary contribution to the Ramsar Convention on Wetlands of International Importance. The Ramsar Convention is unique in its focus on a single major ecosystem. As with tropical forests, wetlands are a high priority for conservation because of their biological and genetic productivity, their function in providing man with fuel, food and livelihood, their ecological role in controlling floods, and because they provide habitat to a diverse range of species. Fifty-two countries are now contracting parties to the Convention. To date more than 400 sites totalling some 30 million hectares are on the Ramsar List.

While the Convention has been effective in part, its implementation needs to be improved and participation broadened, particularly among developing nations which contain some of the world's richest wetland areas. The U.S. government's support to date has been limited to small contributions by the Fish and Wildlife Service, augmented by World Wildlife Fund, to help set up and run the Ramsar Bureau (Secretariat). By providing a line item in the International Organizations and Programs account and an initial appropriation of $200,000, Congress would do much to help the Bureau overcome financial and staff limitations, monitor Ramsar sites and entice more developing nations to join.

o $17 million earmarked through the International Organizations and Programs account for the United Nations Environment Programme (UNEP). UNEP clearly came into its own this past year by skillfully steering the Montreal Protocol through scientific uncertainty and political mistrust. The trust that a wide range of parties show for this organization is a further signal that UNEP will play a significant role in negotiating and helping to implement further international conventions and treaties needed to address such issues as global warming and biological diversity.

To be fully effective, UNEP requires a significant boost in funding. We recommend that Congress increase United States support for UNEP from the $9.5 million it received in FY 1989 to $17 million in 1990. We further urge that these funds be earmarked as a line item through the International Organizations and Programs account. We are deeply concerned that without this earmark, UNEP will receive only the $7 million supported by the Administration, a cutback which the organization can ill afford and one that could set back its valuable programs considerably.

o Finally, we recommend that Congress provide the $100,000 requested by the Administration for the Intergovernmental Panel on Climate Change (IPCC), a group convened by UNEP. As scientific consensus mounts that global warming is a reality and efforts to mitigate its effects must begin immediately, United States support becomes imperative for groups such as IPCC which are being called together to search for cooperative approaches and solutions. These funds should also be part of the International Organizations and Programs budget.

The appropriations which World Wildlife Fund recommends here, while not involving a great deal of money, would greatly strengthen implementation of these treaties and programs which have proven their effectiveness in protecting the global natural resource base. I would make clear that these recommendations should not be misconstrued as support for special interests. Together, the conventions and institutions mentioned here provide the international framework through which nations can work together to preserve the health of the earth's environment and its inhabitants. All nations share this responsibility.

In this regard, I express World Wildlife Fund's appreciation to Senators Leahy and Kasten for their support of environmental components in U.S. foreign aid programs. I note in particular their request that the U.S. government make conservation and sustainable development central features in the proposed Multilateral Assistance Initiative for the Philippines. This is a timely and significant position given the serious environment threats facing that strategically important and ecologically unique island nation. We urge Congress to look for more such opportunities to support the environment in foreign aid programs.

World Wildlife Fund is the leading private organization working worldwide to protect endangered wildlife and wildlands. We have more than 600,000 members in the United States, a number which continues to grow at a healthy rate. There are another 2 million in our sister WWF national organizations in 23 countries around the world. World Wildlife Fund is a field-oriented organization, supporting individuals and institutions that carry out practical conservation projects on the ground. Our highest priority is conservation of tropical forests, wetlands and other biological resources in Latin America, Asia, and Africa, places that are home to a substantial proportion of the world's animal and plant species. During our 28 years, we have worked in more than 100 countries to sponsor and carry out over 1,400 projects involving a comprehensive array of conservation methods.

STATEMENT OF CAROL WYNNE, DIRECTOR, GOVERNMENT RELATIONS, FUR RETAILERS INFORMATION COUNCIL

Senator **Lautenberg**. Now, Ms. Wynne, I do not know how you will distribute the time, but go ahead.

Ms. **Wynne**. Thank you very much, Mr. Chairman. My name is Carol Wynne. I will be splitting my testimony with George Furness of the Conservation Treaty Support Fund.

I am here today representing the Fur Retailers Information Council as well as the American Fur Industry. Together we represent the $1.8 billion fur trade here in the United States.

I am here to discuss the CITES treaty which Mr. Bohlen discussed, the Convention on International Trade in Endangered Species. I am here to ask for increased funding once again, as I did last year.

I am also here as an NGO, a nongovernmental observer. I alone cannot represent the diversity or the magnitude of the NGO community, but I would like to say that I am here representing support among all of those groups that we have full funding for the CITES treaty.

I am also submitting for the record a list of those NGO's that support CITES as well as the increased funding, and I would like to comment that it is a rare day and age that you have a list that includes such groups as Greenpeace and the fur industry, National Audubon Society, the National Rifle Association as well as Sea World and Safari Club—all representing the same, or all supporting the same issue and the same idea here. So, I will submit that for the hearing record.

I would also like to state that the NGO community is so firmly behind CITES that we have supported it financially in the past, and we will in the future.

In the past year, over $100,000 has gone into CITES from various NGO groups. That was for 1988. In the past that figure has been higher and internationally the figure is even higher.

Now, last year this committee literally saved CITES from extinction, and we appreciate that very much. The House appropriated over $400,000. This committee came up with a figure of $650,000, and for that we are all very, very grateful.

PREPARED STATEMENT

This year we have about—a budget of over—when you add the arrearages to it—to make a long story short, we are going to be needing about $700,000 for CITES. The House has appropriated $750,000 and I am hoping this year that just due to the magnitude of all the needs of CITES that this committee could somehow appropriate $1 million. I think CITES would no longer have to tread water. It would actually be able to go forward with many projects. Mr. Furness is going to address some of these many projects right now. Thank you.

[The statement follows:]

STATEMENT OF CAROL A. WYNNE

Mr. Chairman, my name is Carol A. Wynne and I am the Director of Membership and Government Relations for the Fur Retailers Information Council. I have also been asked to present views of the American Fur Industry as well on this particular issue. Together both organizations represent the entire $1.8 billion American fur trade.

I am pleased to be here today to discuss a line item in the International Organizations and Programs Account that your Committee addressed last year for the first time. I am referring to the Convention on International Trade in Endangered Species (CITES). I am here with my colleague, Mr. Furness, to express our strong support for the CITES Treaty and to encourage this Committee to fully fund the level of U.S. contributions to the Treaty.

As members of the commercial wildlife trade, the fur industry has been a major supporter of CITES. This includes financial support for CITES-sponsored studies and delegate travel. I am here today as a nongovernmental organization (NGO), and although I alone could not possibly represent the entire NGO community due to its magnitude and diversity, I feel that I can safely say that the NGO community fully supports CITES and the need for full funding by our government.

By way of background you should know that NGO's, especially American NGO's, play an important role in CITES. NGO's participate and are involved in all aspects of the Treaty, often lending needed expertise and knowledge to all types of issues affecting wildlife trade and conservation. Incidently, the CITES Treaty is the first treaty to endorse NGO participation. We virtually have the same rights as Party Nations with the exception of voting rights. In fact, it was over twenty years ago that American NGO's persuaded U. S. Government officials to move forward with the creation and ratification of this Convention. Now many of these same NGO's are working to keep the Treaty financially afloat.

The NGO community is one that is extremely diverse. It includes businesses and associations that trade in and utilize wildlife and wildlife products. State fish and wildlife agencies also have a vested interest in CITES since they are responsible for the management of our nation's wildlife resources. In addition to the State Agencies, the conservation community is also well represented within CITES. The World Wildlife Fund is a prime example of some of these many groups. Even animal welfare organizations who in some cases might oppose some form of international trade in wildlife and/or the taking of wildlife, support CITES. All of us, no matter what our own personal agendas may be towards CITES' goals and objectives, agree that it is by far one of the most effective wildlife conservation vehicles yet developed to protect our world's plant and animal heritage. We also recognize it is the best hope for species now facing extinction through illicit trade. We also recognize that unless the Convention is properly funded it too will become an endangered species. The consequences of such an outcome will surely be felt by the world's flora and fauna.

Mr. Chairman, in order to give you an idea of the broad support the NGO community has for CITES I would like to submit for the hearing record a listing of those American organizations who support full funding for CITES by the United States Government.

Many of those NGO's on this list attended the last Conference of the Parties held in Canada. At that conference many of us were so concerned over this budget crisis that we formed the NGO Committee on the Financing of CITES. As a member of that

Committee it has become one of my priorities to encourage all Party Nations to meet their contribution levels as requested by the CITES budget resolution. In addition, the Committee has been exploring other avenues that may add some dollars or in kind payments to the Treaty. We have been working closely with the Conservation Treaty Support Fund which encourages outside donations, especially through the corporate sector. Mr. Furness, who created the Fund, should be congratulated for his efforts to expand the funding base for CITES as well as other conservation treaties.

Before I complete my statement I must tell you that NGO's not only support CITES in spirit, but also with dollars. I wouldn't be here if I couldn't tell you that the NGO community has and will continue to financially support CITES. For your information, U.S. NGO's contributed over $100,000 to CITES for purposes of special projects and delegate travel during 1988. Internationally, the NGO community contributed well over this amount during this same period of time. We have an undisputed track record which proves our financial commitment to CITES as well as our commitment to the wise use of the world's threatened and endangered species.

Last year Congress generously provided $650,000 for CITES funding. The money has helped put CITES back on its feet. In fact, the actions of your Committee literally saved CITES from financial chaos. The NGO community and the CITES Secretariat is grateful for your actions and we are respectfully requesting your support once again for full U.S. funding. According to the proposed CITES budget the U.S. annual commitment will likely be $592,000. This figure is based on recommendations from the CITES Standing Committee of which the U.S. chairs. It is also based on a new three year budget cycled rather than the former two year cycle. If you include the U.S. arrearage for CITES in this figure, the estimated U.S. financial requirement to CITES totals $674,000. As Mr. Furness testified, a higher contribution to CITES would allow the Secretariat to begin or enhance many important activities. Because of the need for these activities we are requesting $1,000,000 in order to fully implement the Treaty.

In conclusion I think it can be said that no other Treaty has accomplished so much with so little. The CITES Treaty is a small but most fruitful investment. Those of us in the private sector are strongly committed to this investment. As a Party Nation and as the chief architect of the Treaty, the United States must not let its financial obligation wane. The United States has always held a position of leadership when it comes to CITES and for that matter, all international wildlife issues. Other Party Nations recognize the importance of CITES and have contributed above and beyond what is obligated. As a member of the NGO community, I respectfully request that this Committee provide full funding to the CITES appropriation so that this Treaty may continue in its efforts through international trade to conserve the world's flora and fauna.

NONGOVERNMENTAL ORGANIZATIONS THAT SUPPORT FULL U.S. FUNDING FOR THE CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES (CITES)

American Association of Botanical Gardens and Arboreta
American Association of Zoological Parks and Aquariums
American Fur Industry
American Fur Merchants Association
Center for Environmental Education
Conservation Treaty Support Fund
Defenders of Wildlife
Environmental Defense Fund
Friends of the Earth

Fur Retailers Information Council
Greenpeace
International Association of Fish and Wildlife Agencies
International Exotic Leather Council
Louisiana Fur and Alligator Advisory Council
National Audubon Society
National Rifle Association
Natural Resources Defense Council
National Wildlife Federation
Pet Industry Joint Advisory Council
Safari Club International
Sea World
Sierra Club
The Nature Conservancy
The Wildlife Society
Wildlife Conservation International
Wildlife Legislative Fund of America
World Wildlife Fund/The Conservation Foundation

STATEMENT OF GEORGE FURNESS, PRESIDENT, CONSERVATION TREATY SUPPORT FUND

Senator LAUTENBERG. Next, Mr. George Furness.

Mr. FURNESS. I am George Furness, president of the Conservation Treaty Support Fund. CITES has long enjoyed U.S. support and leadership. Several of its accomplishments are listed in my written testimony.

As Ms. Wynne said, we deeply appreciate the contribution of $650,000 for 1989 which your subcommittee was so instrumental in obtaining.

As a result, the Secretary has been able to write full-year contracts for its staff members, which is unusual, hire part-time translators, hire conference service staff and other temporary assistants, restore funding for the identification manual which is very important for enforcement, maintain its trade monitoring contract, meet its administrative and communications requirements, and even set aside a little surplus to write staff contracts for next year.

As directed by the CITES standing committee, which is chaired by the United States, the next proposed budget, which will cover 3 years, will add to previous budgets minimal increases for: Inflation; the cost of the ivory control system mentioned by Mr. Bohlen—the CITES part of the ivory control; hiring two full-time translators; hiring secretarial and operational support for two new important secondments, including an investigative officer to be provided by the Fish and Wildlife Service, and a plants officer; plus minimal expenses for the CITES animals and plants committees.

As Ms. Wynne mentioned, the budget will call for a U.S. share of about $600,000 per year in the 3 years, 1990 to 1992, plus the arrearages which brings it up to about $700,000.

PREPARED STATEMENT

However, an even higher contribution; that is, the $750,000 recommended in the House or even more would eliminate all previous U.S. arrearages and allow CITES to enhance trade monitoring, augment the identification manual, initiate a guide to plants, catalog and list species covered by legislation and complete studies of significant trade and key species of animals and begin similar studies for plants, many of which have great value to mankind and may be overtraded. And, finally, produce a newsletter to inform parties in the public about CITES. Thank you.

[The statement follows:]

STATEMENT OF GEORGE A. FURNESS, JR.

I very much appreciate this opportunity to testify on the U.S. contribution to CITES and would like to request that my written testimony be incorporated into the record

CITES has long enjoyed U.S. support and leadership. Several of its accomplishments are listed in my testimony.

CITES deeply appreciates the U.S. contribution of $650,000 for 1989, which your Subcommittee was so instrumental in obtaining. As a result, the Secretariat has been able to:

* write full year contracts for its staff members.
* hire part-time translators.
* hire Conference service staff and other temporary assistance.
* restore funding for the Identification Manual.
* maintain its trade monitoring contract.
* meet its administrative and communications requirements, and
* set aside a small surplus to write staff contracts next year.

As directed by the CITES Standing Committee, which is chaired by the U.S., the next proposed budget, to cover three years, will add to previous budgets:

* minimal increases for inflation.
* the costs of the ivory control system.
* hiring two full-time translators.
* secretarial and operational support for two new important secondments, including an Investigative Officer (to be provided by the U.S. Fish and Wildlife Service) and a Plants Officer, and
* minimal expenses of the CITES Animals and Plants Committees.

If the Conference of Parties accepts these recommendations, which seems likely, the U.S. contribution, at approximately 25 percent of the budget, will amount to slightly under $600,000 per year in 1990, 1991, and 1992.

A higher contribution, i.e., the $750,000 recommended in the House or even more, would eliminate all previous U.S. arrearages and allow CITES to:

* enhance wildlife trade monitoring.
* augment the Identification Manual and initiate a Guide to Plants regulated under CITES.

- augment the contract to catalogue and list species covered by legislation.

- complete studies of significant trade in key species of animals and begin similar studies for plants, many of which have great value to mankind, and

- produce a newsletter to inform Parties and the public about CITES.

This testimony is presented by George A. Furness, Jr., President of the Conservation Treaty Support Fund in support of full funding of the United States contribution to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

I very much appreciate this opportunity to testify on the proposed United States annual contribution to CITES. The Convention is an important intergovernmental treaty, ratified by over 100 nations committed to work together to protect threatened and endangered species of plant and animals from uncontrolled exploitation in international trade. CITES is acknowledged as the world's most successful conservation treaty and has long enjoyed the support and leadership of the United States. That leadership will be jeopardized if the U.S. does not contribute at the level needed to permit CITES to function effectively.

United States support for CITES

There is very broad and deep American public concern for wildlife conservation, including wildlife overseas in Africa, Latin America and Asia, and active support for CITES. The Endangered Species Act of 1969 directed the Administration to develop a treaty to control trade in endangered species, and CITES was concluded at a major international conference hosted by the U.S. Government in Washington, D.C. in 1973. The United States is a charter member of CITES, and the Convention is regarded as the keystone of U.S. international wildlife resources conservation policy.

CITES is strongly supported by a wide spectrum of non-governmental organizations in the United States, as well as the legitimate wildlife trade associations. These organizations attend the biennial CITES Conferences of Parties, play a key role in the development of U.S. policy vis-a-vis the Convention, and contribute directly to CITES programs. American and other non-governmental agencies contribute hundreds of thousands of dollars annually to special projects and the travel of delegates from developing countries to CITES meetings.

CITES' accomplishments

1. Commitment by over 100 sovereign nations to its objectives.

2. An agreed, international listing of endangered and at-risk species.

3. An international framework for controlling legal trade in threatened species and curbing illegal trafficking. Alligators, spotted cats, and the vicuna are among animals benefiting from these controls.

4. Effective mechanisms for captive breeding of endangered wildlife, to relieve the demand on the wild and provide incentives to local peoples who can benefit by preserving and sustaining them.

5. Studies to determine whether species need CITES protection.

6. Technical assistance to developing countries in implementing and enforcing CITES and in managing wildlife.

7. Full and active participation of all its member nations on decisions affecting their resources.

How the Convention is financed.

The Convention operates through management and scientific authorities in its member countries and through the Switzerland-based CITES Secretariat. Although the CITES Secretariat is administered by the United Nations Environment Programme, funds for its operation and coordinating and monitoring activities have been provided since 1981 by annual contributions of member states, assessed on the basis of the United Nations scale of contributions. When the Parties began contributing to CITES, there was no provision in the Convention permitting the "assessment" of contributions. However, the Parties agreed to contribute voluntarily, in percentages based on the UN scale and adjusted to the membership of CITES. The United States regularly contributed its share (slightly over 25 percent) up until FY 1986.

An amendment to the Convention, which was adopted in 1979 and came into force in 1987, empowers the Parties "to make financial arrangements." The United States supported this amendment and ratified it with the advice and consent of the Senate, on the grounds that giving the Parties such powers would help assure contributions from such non-contributors as the Soviet Union. Nevertheless, despite the coming into force of the amendment, the current Administration has decided to continue to request voluntary rather than assessed contributions.

The effect of dollar decline

Most of CITES expenditures are made in Switzerland, where the Secretariat has been located since the Convention came into force in 1975. The CITES budget, however, is expressed in U.S. dollars. While the dollar was gaining in value in the early 1980's, the Secretariat could operate within its budget and was even able to develop a reserve. However, since 1985, the dollar has declined drastically, losing nearly half its 1985 value and is now at 1 dollar = 1.6 Swiss francs. Dollar decline alone forced a doubling of the CITES biennium budget in 1988-89 over 1986-87.

How CITES is using the Enhanced United States Contribution in 1989

Although the FY 1989 appropriation was approved in the fall of 1988, the U.S. contribution did not reach the CITES Trust Fund until March 1989 due to bureaucratic problems in the State Department. Once received, the CITES Secretariat could then do the following:

* provide full year contracts for its staff members; up until that time, they had been working on a month-to-month basis, which meant for great insecurity and a loss of some benefits.

* fund its Special Projects Officer (his secondment from Japan had run out) who has been largely responsible for raising funding outside the regular budget for special projects and to keep the Secretariat going when our contribution fell short.

* fund part-time translators. The translation burden has been very heavy on regular professional staff as CITES is a trilingual treaty. It has diverted them from their professional responsibilities.

* hire Conference servicing staff and temporary assistance; because the 7th biennial Meeting is being held in Lausanne, Switzerland (in October 1989), the burden on the Secretriat will be heavier than usual. At least 800 government delegates from over 100 nations, plus representatives of hundreds of NGOs and international organizations, will attend.

- restore some of the funding for the Identification Manual, a key tool which helps customs and enforcement agents enforce the treaty.

- maintain the trade monitoring contract with the World Conservation Monitoring Centre.

- meet administrative and communications requirements, which are heavy in a Conference of Parties year and increase as more Parties adhere to treaty.

- set aside a small surplus ($500,000) so it can be ready to write contracts at the beginning of 1990, in case contributions are received late or fall short.

The anticipated 1990-91 CITES budget

The CITES Conference of Parties will not adopt the 1990-91 budget until its meeting in Lausanne, Switzerland, in October 1989. However, as a result of decisions of the CITES Standing Committee (which the United States chairs) at its meeting in March 1989, the CITES Secretariat will present a budget based on the Medium Term Plan adopted at the last conference of Parties. The Medium Term Plan calls for minimal increases due to inflation. The Standing Committee also directed that the costs to CITES of the ivory control system and of two translators (to relieve the heavy translation requirements of the professional staff) be added to the amounts projected in the Medium Term Plan. Secretarial and operational support will also be needed for two officers being seconded by Parties to the Convention, an Investigations/Enforcement Officer (being provided by the U.S. Fish and Wildlife Service) and a Plants Officer. Positions currently filled through secondment from Party nations must be included in the budget for future years, and provision has been added to fund minimal expenses of the CITES Animals and Plants Committees.

If the Conference of Parties accepts these recommendations, which seems likely given the broad international support for CITES' goals, the United States annual contribution in 1990, 1991, and 1992 will be set at nearly $600,000 for each year, approximately 25 percent of the budget.

Nevertheless, the Administration has requested only $200,000 for FY 90. The failure of the United States, actually since 1986, to regularly meet the contribution level requested of it by resolution of the Parties is a serious burden on the treaty. If the United States does not pay its share, the Secretariat will have to cut staff needed to implement and enforce the treaty. All ongoing contracts, including those concerned with identification of traded specimens, monitoring wildlife trade and overseeing the African ivory control system, all vital to the operation of CITES, would have to be dropped entirely. Translation support would be eliminated. Essentials such as travel, equipment and communications would have to be reduced. Without these elements, CITES would lose a great deal of its effectiveness.

An insufficient contribution will undermine U.S. leadership

The United States has long played a leadership role in CITES, hosting the Conference which brought it into being, serving as Chairman of its most important Committees, and helping to ensure that its decisions accord with United States policy. Congress gave a great boost to U.S. leadership by voting an FY 1989 contribution of $650,000, which covered our full contribution for the 1988-89 biennium, and paid up some of our earlier arrearage.

However, if the United States cannot continue its contribution at the level needed to permit CITES to function effectively and which other Parties expect of it, and if the United States is seen to cause a decline in CITES' effectiveness, our leadership in CITES and in other conservation and environmental fora will be seriously undermined.

As a result of earlier shortfalls in U.S. contributions, and despite the increase voted by Congress for FY 1989, the United States is still behind in its contribution by approximately $82,000. The only other Parties significantly in arrears are the Soviet Union and the German Democratic Republic, which have not as yet contributed to CITES and which play almost no role in the Convention. By contrast, nearly all western country contributors, including Japan which contributes 11 percent of the budget, West Germany (8 per cent), France (6.5 percent) and the United Kingdom (5 percent) have no arrearages, and those of developing countries are minor. Several countries regularly contribute more than their required contributions.

A Higher United States Contribution would Enhance CITES Effectiveness

To bring the United States into full compliance with its CITES obligations, eliminating all previous arrearages, we recommend that at least $700,000 be appropriated for the United States contribution in FY 1990. If the Senate would agree to the amount recommended in the House, $750,000 or even more, CITES could do more toward achieving its goal of conserving the Earth's natural heritage for the benefit of mankind. If the U. S. contribution is provided shortly after the beginning of US FY 1990, the most immediate impact would be to provide the Secretariat with the ability to issue full year contracts to all staff members funded through the regular budget, a luxury they have not enjoyed for several years. A contribution of $700,000 would allow CITES to continue the program mapped out in 1988 and 1989, while at the same time retiring its debt to UNEP.

A higher contribution would allow the Secretariat to begin or to enhance many important activities, for example:

* place the contract with the World Conservation Monitoring Centre on a firm footing and enhance the analysis.

* augment the Identification Manual and initiate a Guide to Plants regulated under CITES, both of which are key to enforcement of the treaty.

* augment the contract with the IUCN Environmental Law Centre to catalogue and list species covered by national legislation.

* bolster and enhance the work of the permanent committees of CITES, including the Animals, Plants, and Nomenclature Committees.

* complete studies of significant trade in key species of animals and begin similar studies of trade in plants, many of which have great value to mankind.

* produce a newsletter to inform Parties and the public about CITES.

This would fully demonstrate United States leadership in the worldwide effort to conserve endangered species.

Senator **LAUTENBERG**. Very good. Two people who hit the clock just on time. Thank you very much.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Question. What Percentage of the total budget to the Convention on International Trade in Endangered Species comes from the United States? Who are the other large donors? If the US increases its contribution will the other donors increase their's?

Answer. The percentage rates of contribution to the Convention on International Trade in Endangered Species (CITES) of the United States, and all countries which are Parties to the Treaty, are based on the scale of contributions of member states to the United Nations. The UN scale varies periodically according to the relative economic situtation of UN member states. For many years, the US contribution to the United Nations has been limited to 25 percent; the US contribution to CITES has accordingly been set at the same level. The United States, and all other Parties to CITES, have been asked to contribute slightly above that percentage to CITES, because the financial resources of its membership are slightly less than the resources of the members of the UN.

Other countries which are expected, under the scale of contributions, to contribute the largest percentages to CITES are as follows: Japan, 11.4%; USSR, 10% (although to date the Soviet Union has yet to contribute to CITES); Federal Repubic of Germany, 8.1%; France, 6.3%; United Kingdom, Italy, 4.9 %; 4%; Canada 3.1%.

Undoubtedly, if the United States is positioned through appropriations to support a larger US contribution to CITES at the 1989 Conference of Parties, than it could support at the 1987 Conference, the other Parties will be more likely to agree to larger contributions from themselves. In fact, at the 1987 Conference, despite opposition from the United States, the CITES Parties voted overwhelmingly for a budget which actually doubled their previous annual contributions (largely to keep pace with the decline in the US dollar) and almost all are paying these contributions.

In addition, several countries have contributed substantially above and beyond the contributions required of them by the scale of contributions. From 1986 to 1989, The Japanese Government contributed $625,000, over and above its total required contributions of $601,794 (all of which have been paid consistently year by year). Denmark's required contibution for 1989 is $11,689; it has already contributed an additional $15,000 this year. Other Governments which have provided substantial funding in addition to the amounts required by the scale of contributions include the Governments of the United Kingdom, Switzerland, the Federal Republic of Germany and Norway. Since 1985, the European Community, which is not required to contribute, has donated $165,000 to CITES.

Through the U.S. Fish and Wildlife Service and the Agency for International Development (AID), the United States provided CITES $25,000 outside its regular contribution in 1987, and $55,000 in 1988, for special projects. The special 1988 contribution came at the same time as the regular US contribution of $170,000 fell far short of the required $404,000.

Question. Why hasn't CITES been more effective in controlling the ivory trade? Is it entirely due to poaching, or have countries that are members of CITES simply failed to comply with its terms?

Answer. The African elephant ivory trade is largely illegal, stimulated by unscrupulous, black market traders, who stimulate poachers. CITES cannot control or stop poaching alone. Poaching itself happens within the boundaries of a country, or across boundaries, and can only be controlled by effective legislation, border patrols, and bilateral cooperation between African countries. However, the lack of adequate financial resources in developing African countries, whose first priority is to feed and support their own human citizens, makes it extremely difficult for them to curb attacks on their wildlife, especially when financed by the greed of illicit trade.

CITES cannot stop poaching. However, through technical assistance, it can and has significantly helped African countries develop internal legislation and the administrative structure needed to implement controls over the ivory trade.

The CITES Ivory Trade Control System has been able to control legal trade in ivory, and make illegal trade more difficult and distinguishable from legal trade. During the last two years, the volume of trade within the Ivory Control System has fallen markedly, at the same time as an increasing number of countries have participated more effectively in the system. In addition, several Asian areas, Hong Kong, Japan, Singapore and Macau have tightened their legislative controls on the ivory trade, and a number of countries involved in the ivory trade in Africa, Asia and Europe, have been persuaded to join the CITES family and implement the Ivory Trade Control System. These actions have helped reduce the scope of the illegal trade.

At the same time, application of the system has been more rigorous in some CITES Parties than in others. The system has been in full operation for only a little more than two years. As noted above, the CITES Secretariat has had to help some countries develop the administrative structure needed to fully implement the system.

Furthermore, the CITES Ivory Control system has been plagued by insufficient funds to implement the full range of activities intended when it was set up by the CITES Parties. At the 1987 Conference of Parties, the United States and several other Parties were reluctant to include the Ivory Trade Control Unit in the regular budget because this would increase the total amount of contributions required of the Parties. Instead, funds to run the system had to be raised from sources external to the budget. The lack of secure funding seriously undermined the operations of the Ivory Trade Control Unit, and it is currently $100,000 in deficit. An allocation of $50,000, made in 1988 by USAID through World Wildlife Fund, to support the Ivory Trade Control System has yet to be received by the CITES Secretariat.

STATEMENT OF ANNA RHEE, CHAIRPERSON, INTERNATIONAL DEVELOPMENT POLICY WORKING GROUP, INTERFAITH ACTION FOR ECONOMIC JUSTICE

Senator **Lautenberg**. Now, I would like to call on Ms. Rhee.

Ms. **Rhee**. Thank you, Mr. Chairman. I am Anna Rhee of the United Methodist Church, and I am here on behalf of the Interfaith Action for Economic Justice, an organization whose membership includes 32 national Protestant, Roman Catholic, and Jewish agencies.

Interfaith Action works to secure more just U.S. domestic and international economic policies and programs. We appreciate this opportunity to share our views on the foreign assistance appropriation for fiscal year 1990.

Interfaith Action has offered testimony for 15 years, and in those 15 years our basic priorities have remained the same. The preeminent objective of the U.S. foreign aid program should be to promote self-determination and self-reliance in developing countries through a process of participatory, equitable and sustainable development.

We are disturbed by the continued and increasing preponderance of security assistance in the foreign aid program. The ratio of security assistance to development aid slipped roughly from 50:50 in fiscal year 1981 to roughly 66:34 in the current year.

This imbalance reflects a dominance of military and strategic concerns over real development needs. Security assistance defeats the goals of development and fails to address greater challenges to global security.

We welcome the openness within Congress to review the imbalance of security to development aid in the U.S. foreign assistance program. It is our view that this comes at a critical moment. In the midst of changing geopolitical situations, U.S. budget restrictions require more careful spending applications and a lessened impact of U.S. foreign aid due to debt burdens of developing countries.

The changing international climate has produced several hopeful indications that U.S. foreign assistance can be a positive force in a postcold war world. Among them are negotiated settlements in regions which have been in conflict and an increased recognition of the need for resolution to the debt crisis.

The following general changes in the nature and effectiveness of U.S. foreign aid would move the program toward being that positive force. We urge a substantial reduction in security assistance levels in both the economic support fund and military aid, a significant increase in effective bilateral and multilateral development aid and major steps to alleviate the debt burden of developing countries.

We have several specific suggestions which we believe can be instituted in fiscal year 1990. First, we encourage the subcommittee to consider report language which would support the request made in both the House and Senate authorizing bills asking the administration to review the impact of the evolving world geopolitical situation on the makeup and modalities of U.S. foreign aid.

We hope that this review will lead to the appropriation of funds for postconflict reconstruction in fiscal year 1991. In our view this is one way to shift resources from security assistance to economic and humanitarian interests and challenges.

Second, we urge you to consider assistance to Africa, including the Southern Africa Development Coordination Conference [SADCC], a high priority. We recommend $600 million in fiscal year 1990 funding for Africa without country restrictions. At least $50 million of this amount would be allocated for SADCC.

We also support funding of the international organizations and programs account at $279.6 million. This would include funding for the U.N. Afghanistan Emergency Trust Fund, the International

Fund for Agricultural Development, UNICEF, the U.N. Development Fund for Women, the International Training and Research Institute for the Advancement of Women, and the World Food Program.

Third, we urge further application of section 572, of the fiscal year 1989 foreign aid appropriation, authorizing the President to waive dollar payments of development aid and economic support fund debt of the least developing countries, including sub-Saharan Africa.

The administration has taken an important first step in announcing that it will cancel up to $1 billion of development aid and ESF debt owed by sub-Saharan African countries.

Finally, we are not prepared to support funding for the general capital increase to the World Bank. This is based on our deep concern about the increased linking of U.S. bilateral aid, multilateral aid, and various debt relief proposals to economic policy reform programs, also called structural adjustment programs. We strongly question the use of U.S. foreign aid resources to support these programs.

PREPARED STATEMENT

Thank you again for this opportunity to present our views. Our written testimony contains details about our proposals and provides some background to our positions on ESF and on economic policy programs.

[The statement follows:]

STATEMENT OF ANNA RHEE

Mr. Chairman, I am Anna Rhee of the United Methodist Church. I appear on behalf of Interfaith Action for Economic Justice, an organization of 32 national Protestant, Roman Catholic, and Jewish agencies which work together to secure more just U.S. domestic and international policies and programs. Interfaith Action welcomes this opportunity to share our views on the foreign assistance appropriation for Fiscal Year (FY)1990.

Our overriding concern regarding U.S. foreign assistance is that it help the poor majority in developing countries to improve the quality of their lives and enjoy greater justice in their societies. In our view, the preeminent objective of the U.S. foreign aid program should be to promote self-determination and self-reliance in developing countries through a process of participatory, equitable, and sustainable development.

Over the fifteen years that Interfaith Action has offered testimony, our basic priorities have remained the same. However, we have become increasingly discouraged by the demonstrable lack of convergence between our priorities and the actual objectives, uses, and effects of U.S. foreign aid. In particular, we maintain our strong opposition to the continued preponderance of security assistance in the foreign aid program. This imbalance reflects the dominance of military and strategic concerns over what we have stated should be its main goals. In fact, security assistance, in our view, defeats those goals and fails to address the greater challenges to global security posed by increasing poverty, untenable debt burdens, unequal terms of trade, and other economic injustices.

The changing global context of U.S. foreign aid reinforces our call for a reordering of priorities. The United States is no longer the largest aid donor and growing pressures to reduce the U.S. budget deficit are likely to result in further slippage in U.S. foreign aid levels. In developing countries, foreign debt and economic policy reform programs have taken center stage and further limit the effectiveness of U.S. foreign aid. Significant, too, is a changed geo-political situation. The prospect for improved U.S./Soviet relations and settlement of various regional conflicts provide greater justification for shifting resources toward support for peace and development efforts rather than a focus on military and strategic concerns.

These various developments, we believe, provide an occasion for necessary improvements in the nature and effectiveness of U.S. foreign aid. Our recommendations are the following:

1) Substantially reduce security assistance levels (both the Economic Support Fund and military aid);
2) Significantly increase effective bilateral and multilateral development aid;
3) Take major steps to alleviate the debt burden of developing countries.

A rationale for and details of these recommendations follow.

I. Reduce security assistance levels (both military aid and the Economic Support Fund.

Although security assistance has taken the brunt of foreign assistance cuts since 1985, it remains 12 percent higher (in constant 1989 dollars) than 1981 levels. Development assistance, on the other hand, has decreased 6 percent since 1981. The Administration's FY 89 budget request proposes an increase of $330 million in U.S. military assistance, predominantly for the Foreign Military Sales program and an increase in ESF of $90.6 million.

We recommend that the Committee establish targets for the reduction of security assistance levels in relation to development aid. It would be desirable for the ratio, which slipped from roughly 50/50 in FY81 to roughly 66/34 in the current year, to revert again to at least 50/50 by the year FY93. As steps in that direction for FY90, we recommend:

- the prohibition of military assistance to countries in accordance with the human rights safeguards of Sections 116(a) and 502(b) of the Foreign Assistance Act; and
- the provision of funds for post-conflict reconstruction, transferred from security assistance to development aid.

We urge that security assistance be substantially reduced for the following reasons:

A. Military assistance is antithetical to the primary objective of helping poor people in developing countries. The exorbitant spending on military programs contrasts sharply with increased levels of poverty and the relatively low global investment in the improvement of quality of life for the majority of the world's people. In El Salvador, recipient of over $85 million in U.S. military aid this year, more than 100,000 people have been killed and over two million displaced because of war. A fifth of the Salvadoran population has no access to safe drinking water, and 1,000 schools have been abandoned.

B. Economic aid cannot stimulate durable economic growth while military assistance simultaneously fuels destructive regional and civil wars. In Central America, where President Bush has requested $411 million in ESF and $169 million in military assistance, regional conflict has resulted in plummeting intraregional trade, declining real wages, increasing unemployment and underemployment, and declining per capita economic output.

C. U.S. military assistance discourages the development of democratic systems and encourages human rights abuses. In the Philippines, where the Administration is requesting $200 million in military aid, Amnesty International reported in 1988 "a pattern of torture reemerging" and that renewed emphasis on counter-insurgency has resulted in serious human rights abuses both by government military forces and military-backed "vigilante" groups which have not been disbanded, despite an order by President Aquino to do so. With U.S. aid providing 83 percent of the Philippine budget for military operations, maintenance and procurement, it is not surprising that many Filipinos fix the ultimate blame for their suffering on the U.S. government.

D. ESF is not intended to serve development objectives. While some claim that ESF is developmental in nature, the security and political interests that motivate ESF undermine the objective of helping the poor in developing countries to alleviate their poverty. More specifically, our findings show that:

1. The security and political interests that drive the Economic Support Fund skew the entire foreign aid program away from the objective of helping the poor in developing countries. As U.S. foreign assistance has decreased since 1985, countries not perceived to be of strong strategic or political interest to the U.S. have been the first to be cut off from ESF funds regardless of their development needs. ESF allocations to six of the ten poorest 1987 ESF recipients were cut in 1988; less than 10 percent of ESF currently goes to low income countries. Nearly all ESF in 1989 is earmarked for specific countries. Although some of these countries are very poor, such as Pakistan and the Philippines, the major reason for the aid is that they are all perceived to be of great political and strategic interest to the U.S.

2. Cash transfers, the principal form of ESF assistance, rarely provide aid to the poor of developing countries. In 1988, some 60 percent of ESF was transferred in cash. Ten countries, all perceived to be of high security and political interest to the U.S., received 98 percent of all these cash transfers. Israel and Egypt alone received nearly 70 percent. While U.S. law prohibits the use of this aid for military purposes, GAO reports confirm that the large amounts of cash assistance, the limitations of AID staff, institutional weaknesses and corruption in recipient governments, and the prevalence of security and political interests make it nearly impossible to ensure that cash transfers will not free up other resources for military and/or corrupt purposes, particularly in areas of conflict such as Central America.

3. Most projects funded under ESF are not directed to long-term development needs. In 1988, projects accounted for 32 percent of ESF. Nearly 91 percent of ESF project aid went to just nine countries. While many of these projects have resulted in some economic benefits, they are primarily designed to address perceived security concerns, not to meet long-term development needs. For example, an AID official in Egypt said that projects serving longer-term economic development goals must be subordinated to more highly visible projects that serve the more immediate political goal of demonstrating U.S. support.

Provision of Funds for Post-Conflict Reconstruction

Peace seems to be "breaking out" in areas which experienced extensive conflict during the Eighties. In such varied settings as the Horn of Africa, Southern Africa, Indochina, Central Asia, Central America, and the Middle East, there are welcome signs of a winding down of civil wars and regional tensions. These developments have potentially major implications for U.S. foreign assistance policy. The U.S. is likely to be called upon during FY90 to respond to human needs which were not able to be taken into account when the Administration formulated its Congressional Presentation, nor, once the individual needs are know, will it necessarily be possible to provide resources in a timely fashion. However, hedging U.S. contributions to reconstruction efforts risks important humanitarian and foreign policy interests.

The funds would be used to provide resources (including food, medicine, shelter, logistical support, seeds, tools, and technical assistance) to help meet reconstruction and development needs of civilian populations. The resettlement of persons displaced within their own countries as well as of refugees returning from other countries would be addressed. Since much of the task will be undertaken by the international community, most of the U.S. funds would be provided through multilateral channels, although bilateral and non-governmental activities could also receive funding. The resources would be in addition to those available under existing authorities and in addition to existing levels of development assistance. The resources would cover the initial phase of reconstruction activities. Once the details of a multi-year reconstruction package for a given country were negotiated, its needs could be accommodated in subsequent regular foreign aid authorization and appropriations legislation.

Since foreign aid funds are tight, it is suggested that the $100 million be transferred from security assistance to development assistance for these purposes. Funds could be appropriated in "no-year" funding, as is currently done for AID's Office of Foreign Disaster Assistance and the State Department's Emergency Refugee and Migration Account. Subsequent appropriations would replenish the amounts expended for as long as funds are needed. Resources could prove timely for situations such as the following:

•resettlement of Afghan refugees and reconstruction of their villages (The funds could meet the Administration's request of $16 million for this purpose in the International Organizations and Programs account.);
•reconstruction in the Horn of Africa as civil strife moderates in Ethiopia, Somalia, and the Sudan;
•reconstruction and development in Cambodia following the withdrawal of Vietnamese troops;
•rehabilitation and reconstruction in Namibia and Lebanon;
•resettlement of Central American refugees in countries of origin.

II. Increase effective bilateral and multilateral aid.

Having recommended substantial cuts in security assistance, we are perhaps entitled to recommend significant increases in development assistance. Certainly it makes little sense, given the changing global context noted earlier, to dismiss all suggestions of additional funding out of hand. U.S. interests are ill-served by funding decisions which are prisoners of past approaches and levels.

A. Bilateral Assistance

We urge you to give high priority to assistance to Africa, including the regional Southern African Development Coordination Conference (SADCC). Even in the face of very tight foreign aid funding, we strongly believe that Africa should remain the regional priority. The approximately 500 million Africans represent about 10 percent of the world's population. Of all countries with infant mortality rates over 100 per 1000 births, 68 percent are in Africa. Nearly 80 percent of all countries with life expectancies under 50 years are in Africa. Despite tremendous human need, Africans receive only $3 per capita in U.S. aid while Israelis received almost $700 per capita.

We urge that FY90 funding for Africa be increased to $600 million, and of this, at least $50 million should be allocated for SADCC, without country restrictions. Namibia's upcoming independence will add a new state to the organization and will increase its funding needs. We believe that SADCC funding is crucial to efforts of southern African countries to develop a regional transport network and take other initiatives to lessen their economic dependence on South Africa.

B. International organizations and programs

We are distressed that the Administration has requested only $209 million for the International Organizations and Programs next year, as contrasted with $226.1 million currently. The figure falls short by more than the apparent $17 million, however. This is due to two major items not funded in the current year that will need resources in FY90: the UN Afghanistan Emergency Trust Fund, for which the Administration has requested $16 million, and the International Fund for Agricultural Development for which replenishment negotiations requiring a U.S. commitment of about $40 million annually were completed as of June 7. ($2.5 million is being provided for IFAD this year). We request that the IO & P account be increased by $53.5 million over FY89 to accommodate funding for IFAD and the UN Afghanistan Emergency Trust Fund. This would also permit funding for several other agencies that have been effective in supporting grassroots level development to continue at current levels: UNICEF at $60 million, UNIFEM (the UN Development Fund for Women) at $800,000, INSTRAW (the International Training and Research Institute for the Advancement of Women) at $200,000, and the World Food Program at $980,000. We strongly urge earmarking of these programs to ensure these levels.

C. Multilateral development institutions

With respect to multilateral development institutions, we urge support for the full Administration request for the concessional facilities: the International Development Association (IDA) and the regional soft loan windows. These funds go to countries that have difficulty securing external private investment and that have little capital available internally for development. However we are greatly concerned by the increased use of funds for structural and sectoral adjustment programs - which absorb some 25 percent of total lending - for reasons which we elaborate on in the following section.

III. Alleviate the debt burden of poor countries.

Although debt relief is not within the exclusive jurisdiction of this committee, you have demonstrated your awareness of the threat debt poses to the development prospects of many poor countries by taking some initial steps to alleviate Third World debt problems. We strongly urge you to continue and broaden such action.

As you are aware, the burden of debt service is absorbing scarce resources desperately needed for domestic investment in human development. The debt burden of developing countries totals over $1.3 trillion. Latin American countries spend about 30% of their annual export earnings to service their debt. Last year alone, African countries made a net transfer of approximately $1 billion to the wealthy countries through debt service and imports of goods and services. Malnutrition, infant mortality, and disease are on the rise as indebted countries sacrifice years of development progress and future productivity in order to maintain only minimal payments on debts that never decrease. Without relief, the debt casts an ominous shadow upon future generations and threatens the sovereignty of those nations and the well-being of their people, especially the poor.

We commend the adoption of Section 572 in the FY89 foreign aid appropriation authorizing the President to waive dollar payments of development aid and economic support fund debt of the least-developed countries, including sub-Saharan Africa. As a direct result of this provision, the Administration has announced that it will cancel up to $1 billion of development aid and ESF debt owed by sub-Saharan African countries. We believe this is an important first step toward more comprehensive debt relief and hope that you will urge the Administration to take into account the following concerns as it begins to implement Section 572:

- that its implementation not result in reduction of aid levels for Africa;
- that any policy reforms attached to debt relief be linked to a development process that supports participatory, equitable and sustainable economic growth, rather than to World Bank and IMF structural adjustment agreements, and;
- that priority be given to the poorest countries, particularly in sub-Saharan Africa.

We also recall that the FY 89 foreign aid appropriation linked future World Bank funding to its pursuit of effective debt strategies, a condition with which we concur. According to the report to Congress submitted by the Treasury Department on March 16 as required by H.R. 4645, the focus of the World Bank's debt strategy since 1985 has been on easing countries' repayment burdens by promoting economic growth through macroeconomic and structural reforms. We take issue with Treasury's contention that the World Bank's strategy has been "appropriate". The Treasury report states that "economic equity is not an issue easily addressed by adjustment programs" and that "the responsibility for equitable growth rests with each country." In our view, if the reforms do not address economic equity, then they are not effective, nor politically sustainable. The main criteria for evaluating the effectiveness of any debt strategy should be its effectiveness in promoting participatory, equitable, and sustainable development and in increasing self-reliance and self-determination along with significantly reducing debt.

Based on these criteria, we remain unprepared, as last year, to support funding for the general capital increase to the World Bank. Regarding funding for the Enhanced Structural Adjustment Facility of the IMF, we are supportive of the introduction of a mechanism to reduce the interest rates of loans to the poorest countries. However, we are greatly concerned by the fact that the economic policy reforms attached to such relief do not address equity issues but instead require more stringent economic measures which are likely to fall heaviest on the poor.

Economic Policy Reform - an overarching concern:

We would like as well to express our deep concern about the increased linking of U.S. bilateral aid (development aid, ESF, and food aid), multilateral aid, and various debt relief proposals to economic policy reform programs -- also called structural adjustment programs. Though we understand that this is a policy issue more appropriately dealt with elsewhere, it is central to current discussions on debt and foreign assistance and increasingly affects the religious community's support for bilateral and multilateral assistance programs.

Increasingly, U.S. bilateral aid goes to support structural and sectoral adjustment programs. According to the World Bank, structural adjustment loans have increased to 25 percent of its total lending. In addition, nearly all of the International Monetary Fund's lending goes to support economic reforms. Approximately 70 developing countries worldwide have undertaken structural adjustment programs, including 30 in sub-Saharan Africa. We question the use of U.S. foreign aid resources to support these programs for the following reasons:

- adjustment programs have had a disproportionately adverse impact on poor people;
- there is growing evidence that these reforms seldom provide benefits to the poor and often lead to inequitable economic growth;
- the reforms promote an export-led model of development that jeopardizes the sustainability of growth by undermining food production for local consumption, contributing to environmental degradation, and increasing the vulnerability of countries to changes in international markets.
- reform programs place the burden of adjustment to imbalances in the global economy on the poor countries themselves.
- these reforms are often designed by outside experts rather than through a consultative process which includes governments and affected populations.

Because of these concerns we urge you:
- to include report language encouraging the Department of Treasury, in collaboration with NGOs, to develop standards for evaluating the poverty impact of project and program loans by multilateral development banks. Policy reform programs should be redesigned to promote poverty alleviation and equitable development. Assistance should be targeted to critical social sectors such as health, education, job creation, credit for small farmers and micro-enterprise.

- to require that the selection, design, and implementation of policy reform programs should occur through a consultative process which includes representatives of governments and non-governmental organizations representing affected populations.

- to monitor, with respect to the Development Fund for Africa in particular, the success (or failure) of policy reform programs in encouraging poverty alleviation and equitable economic growth. Documentation should be required on the effects of policy reform programs on different groups of poor people and these programs impact on sustainable development.

* * * * * * *

In sum, we believe that substantially reduced security assistance levels, significantly increased effective bilateral and multilateral development aid levels, and major steps to alleviate the debt burden of developing countries will result in a more effective foreign aid program and a more active constituency for such aid.

Note: Although the Union of American Hebrew Congregations believes that Congress should seek to redress the imbalance between development and security assistance, it does not concur in any proposal that would reduce levels of assistance to Israel.

FOREIGN AID APPROPRIATIONS
($ millions)

	FY81 Actual	FY88 Actual	FY89 Approp	FY90 Request
Development Assistance				
Multilateral	1224.3	1450.3	1540.7	1996.3
Bilateral	2278.8	2851.0	2922.6	3147.5
DEVELOPMENT TOTAL	**3503.1** (39.4%)	**4301.3** (34.3%)	**4463.3** (35.1%)	**5143.8** (37.2%)
Security Assistance				
ESF/2	2104.5	3269.4	3258.5	3349.1
Military	3184.8	4797.2	4787.2	5121.9
GRF/3	----	(532.0)	(594.0)	(719.5)
SECURITY TOTAL	**5289.3** (59.6%)	**8066.6** (64.2%)	**8045.7** (63.3%)	**8471.0** (61.2%)
OTHER/4	88.9 (1.0%)	188.4 (1.5%)	208.0 (1.6%)	223.5 (1.6%)
FOREIGN AID TOTAL	**8881.3**	**12556.3**	**12717.0**	**13838.3**

1. Findings from Interfaith Action's studies show that the vast majority of ESF serves security -not development- objectives. Therefore, we classify it as security assistance.
2. Because the mandatory replenishment of the Guaranty Reserve Fund does not affect the discretionary funding levels of the foreign aid program, we do not include it in the military assistance nor foreign aid total.
3. "Other" includes Peacekeeping Operations, Antiterrorism, International Narcotics Control, Foreign Service Retirement Fund, and Trade and Development.

Senator LAUTENBERG. Thank you very much, Ms. Rhee, and thank you for the reminder just now that any of you who have testimony to be submitted for the record who had exhibits as well accompanying that testimony, they too will be accepted as part of the record, and I ask you if they materially affect your presentation to make sure that we have them.

I thank all of you for excellent testimony. I am sorry we do not have time to chat further.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Interfaith Action for Economic Justice

POST-CONFLICT RECONSTRUCTION FUNDS

Question. How do you envision "post-conflict" funds being used differently than are current funds for relief and development purposes?

Answer. Our proposal for the provision of post-conflict reconstruction funds relates more to adapting the foreign aid program to a changed global situation, and to adjusting upward the scale of funds available for relief and reconstruction, than to using the funds differently than are current funds for relief and development purposes.

The winding down of civil wars and regional tensions in a variety of places around the world presents the United States with both an opportunity and a challenge: an opportunity to assist people rebuild lives shattered by war, and a challenge to make the US foreign aid program more responsive to these changing situations. As possibilities arise for winding down conflict in various countries and regions -- such as Afghanistan, Central America, southern Africa, Cambodia, possibly Lebanon -- the US is likely to be called upon increasingly to respond to reconstruction and development needs. Making a pool of resources available for reconstruction purposes would avoid the need for special requests, and possibly supplemental appropriations, to cover each individual situation as it arises.

Provision of post-conflict reconstruction funds could serve as a mechanism to shift resources from the current preponderance of security assistance in the foreign aid program to a greater emphasis on reconstruction and development aid, a shift we feel is justified by the easing of East/West tensions and increased prospects for resolution of regional conflicts. Reconstruction funds could be used for food, medicine, shelter, logistical support, seeds, tools, and technical assistance as well as for resettlement of persons displaced within their own countries and for refugees returning from other countries. Resources could be channeled through multilateral agencies and non-governmental organizations as well as in the form of bilateral aid. The concept of reconstruction is especially important, encompassing both immediate relief and the linking of that relief to long-term development goals.

Pending further discussion of the groundrules under which such funds would be provided, a more modest step this year would be to increase funds for the Agency for International Development's Office of Disaster Assistance (OFDA) from the current $25 million to $40 million through a transfer of $15 million from security assistance. An additional $5 million in Operating Expenses set aside for OFDA would avoid the current competition in which OFDA is forced to engage with other AID bureaus and programs. The $40 million in OFDA's basic funding [Sec. 492(a)] would be in addition to its existing authority to borrow up to $50 million in any given year [Sec. 492(b)].

STATEMENT OF DAVID ALAMEEL, CHAIRMAN, AMERICAN LEBANESE LEAGUE

Senator LAUTENBERG. The next panel is Dr. David Alameel, Chor-Bishop Seely Beggiani, Khalil Jahshan, and Joseph Youssouf. We welcome each of you. We look forward to your testimony. We unfortunately cannot give you any more time than we have given other witnesses.

I will take the liberty, the prerogative of the chairman, to welcome our friends representing the Lebanese interests to tell you how I feel about the death and devastation that is taking place in a country that had great beauty, skilled people, and contributed much to the world. We hope that one day in the not too far distant future we will see a more peaceful environment.

We will start by hearing from Dr. Alameel and again, I regret to say that 4 minutes is the most that we have. But whatever written testimony you have will be included in the record in full. Dr. Alameel.

Dr. ALAMEEL. Thank you, Mr. Chairman.

My name is Dr. David Alameel, chairman of the American Lebanese League, a nationwide nonprofit organization founded by American citizens in 1976 to promote United States-Lebanon relations and to foster the sovereignty, security, democracy, and independence of Lebanon within the bounds of the United States national interest.

We are not a lobbying organization, but an educational humanitarian and social organization with a broad national membership base representing the philosophy and ideals of the two and one-half million Americans of Lebanese descent.

Although we are appearing today on appropriations deliberations of the U.S. Senate, any fiscal considerations in the absence of a U.S. policy is not effective. Therefore, I would like to discuss briefly the grave concern throughout the American-Lebanese community that the very life of the free, sovereign nation of Lebanon is being extinguished, and the policy recommendations that we would suggest the United States adopt to help solve this tragic situation.

The 3 million Americans of Lebanese descent, by any measure among the most loyal of Americans, are outraged at events in Lebanon and the lack of effective United States reaction. From Maine to California, families are hearing from their close relatives, parents, grandparents, brothers, sisters, nephews, and nieces, being daily savaged by Syrian shelling of homes, convents, schools, hospitals, churches, warehouses of food, fuel, and medicine.

Over the past 12 years of outrageous Syrian behavior in Lebanon, indiscriminate shelling of unprotected population centers, kidnapping, torture, incarceration without due process and assassination, massive foreign troop deployment, arming of foreign nationals, none of these broke the will of the Lebanese people to resist, to keep their country. But Syria presently has accompanied its shelling by a blockade strangulation of the free Christian area, designed to slowly reduce the Christians to a starving, wounded, and helpless population.

It is not my intention to recite a lengthy listing of Syrian brutality. I believe that events over the past 4 months, if nothing else, have had the positive effect of ripping off the mask of Syrian intentions in Lebanon for the world to see. For the first time, American-Lebanese are gratified that the world and United States policymakers now see that Syria is the main problem in Lebanon and that Lebanon's problems will never be resolved until first, Syria stops its shelling and blockade and, second, Syria withdraws its troops from Lebanon.

We are requesting that U.S. policy catch up to this now broadly accepted realization. We cannot accept the past time-worn argument that the United States has no leverage over Syria. The United States has varying degrees of leverage with every nation, including the Soviet Union. Syria is financially weak, politically isolated, with many needs and vulnerabilities. The United States should now come up with a new Syrian policy, an immediate one to solve the impending catastrophe of the Lebanese Christians, and a longer term one to remove all foreign forces to permit Lebanon to resolve its own problems.

ALL believes that the Syrian blockade and shelling will collapse the resistance of the Christian area within 2 to 3 months if decisive action is not taken. Therefore, ALL recommends the following immediate actions:

A moral offensive by President Bush personally, supported by the United States Congress and by the United Kingdom, France, the Vatican, and the Soviet Union, if possible, demanding that Syria immediately cease its inhumane blockade and shelling of the Christian area of Lebanon;

Strong, personal statements of moral condemnation by those bodies, in concert, rather than the occasional fretful comment of personal anguish that is not part of a sustained coordinated offensive;

Coordinated international economic sanctions against Syria, formulated and then implemented if Syria does not lift the blockade and shelling;

American, British, and French coordinated action for escorting or reflagging all ships that bring in civilian population needs of food, medicine, fuel, et cetera, and also carry industrial, commercial, and other products so the people can get back to work;

Indictment, in absentia, as with General Noriega, of all Syrian officials, regardless of how high-level, involved in international terrorist activities such as the Pan Am 103 bombing, drug activities, and other terrorist acts;

PREPARED STATEMENT

Initiate a complete review of the administration's Lebanon policy with the objective of establishing a plan before the end of 1989 to initiate withdrawal of all foreign forces from Lebanon.

Mr. Chairman, this was just a summary of my report. I will submit a lengthy one within the next 2 weeks.

Senator **LAUTENBERG**. Thank you very much, Dr. Alameel, for that very important testimony.

[The statement follows:]

STATEMENT OF DR. DAVID ALAMEEL

My name is Dr. David Alameel, chairman of the American Lebanese League, a nationwide non-profit organization founded by American citizens in 1976 to promote U.S.-Lebanese relations and to foster the sovereignty, security, democracy, and independence of Lebanon within the context of the U.S. national interest.

ALL is not a lobbying organization. We are an educational, humanitarian, and social organization with a broad national membership base representing the philosophy and ideals of the two and a half million Americans of Lebanese descent. We are the oldest, largest, and most representative organization of Lebanese Americans in the country.

Although we are appearing today to testify during the deliberations of the U.S. Senate on appropriations, we believe that any discussion of appropriations in the absence of a U.S. policy framework would be counterproductive. Therefore, I would like to open my remarks briefly with an expression of the grave concern throughout the American Lebanese community about the very life of the free, sovereign nation of Lebanon. I also have some recommendations from ALL about how the United States might assist in solving the tragedy of Lebanon and the criminal assault that is taking place on the nation and its people.

The United States has more than the interests of a by-stander at stake. American citizens are being held in captivity even now in areas of Lebanon under occupation or domination of Syrian forces. The narcotics that are cultivated in these areas, as well as the terrorist activities that are cultivated there, directly affect the nature and quality of life of the American people. Almost every major terrorist attack against the West, including the United States, in recent years has been mounted from parts of Lebanon under foreign occupation, particularly the Biqaa Valley that is controlled by Syria. Syria's determination to prevent the restoration of Lebanese sovereignty is in part designed to perpetuate that country's ability to mount future terrorist and military and drug activities.

The two and a half million Americans of Lebanese descent, by any measure among the most loyal of Americans, are outraged at events in Lebanon and profoundly frustrated by the lack of effective U.S. reaction either to the longer term threat to U.S. interests or to the monstrous attack on Lebanese people today. From Maine to California, families are hearing from their close relatives--parents, grandparents, brothers, sisters, nephews and nieces--who are daily being savaged by Syrian shelling of homes, apartments, convents, schools, hospitals, and churches; whose food and fuel and vital medicines are kept from them by an inhuman blockade, normally and legally an act of war.

Over the past 13 years of outrageous Syrian behavior in Lebanon, the indiscriminate shelling of unprotected population centers, the kidnapping, torture, incarceration without due process, and assassination, the massive and oppressive troop deployments, the arming of foreign nationals and thugs to carry out Syrian will--the Lebanese have witnessed it all. None of these broke the will of the Lebanese people to resist, to keep their country. It is certain that the resistance to Syrian hegemony will continue, but the blockade, strangling the only part of Lebanon still free, is designed to slowly reduce the free to a starving, wounded, and helpless population.

It is not my intention to recite a lengthy list of Syrian atrocities in Lebanon, and such a list would be very long indeed. I believe that events of the past four months, if nothing else, have had the effect of ripping off the mask of Syrian intentions in Lebanon for all the world to see. For the first time, Lebanese Americans are gratified that the world, and U.S. decisionmakers, now see that Syria is the main problem in Lebanon, and now understand that Lebanon's problems will never be resolved until Syria stops its shelling, lifts its blockade, and ultimately withdraws its occupation forces from the land and the people of Lebanon.

We are requesting that U.S. policy catch up to what is now visible to everyone. We cannot accept the time-worn adage that the United States has no leverage over Syria. The United States has varying degrees of leverage with every country, including the Soviet Union. Syria is financially weak; its government is diplomatically isolated; its regime is hated by the Syrian people. The United States needs to identify a new policy toward Syria, a policy designed to resolve the impending catastrophe of the Lebanese Christians today and the continuing threat posed by Syrian occupation of the rest of Lebanon.

Mr. Chairman, ALL has a number of recommendations that do involve the expenditure of U.S. funds, albeit out of deference to our fellow American taxpayers *limited* funds. Ms. May Rihani will discuss these more fully tomorrow in hearings before the House Foreign Affairs Subcommittee on Europe and the Middle East. Briefly, we believe the United States, as part of its humanitarian emergency assistance, should

1. make available scholarships to help Lebanese students in the United States who are being forced to curtail their studies;

2. make available similar scholarships to Lebanese students in Lebanon now but unable to continue their studies as a result of the siege of the Christian area;

3. increase current assistance to schools in Lebanon that are still functioning;

4. provide reconstruction aid for schools and for hospitals in the short and longer terms; and

5. open U.S. hospitals to those maimed in the current Syrian siege.

ALL believes that the Syrian blockade and shelling will destroy the Christian area completely within two to three months if decisive action is not taken. Therefore, ALL recommends the following immediate actions.

1. A moral offensive by President Bush personally, supported by the U.S. Congress, and by the United Kingdom, France, the Vatican, and the Soviet Union,if possible, demanding that Syria immediately cease its inhuman blockade and shelling of the free Christian area of Lebanon. Strong, personal statements of moral condemnation by those bodies in concert is necessary; fretful comments of personal anguish not part of a sustained and coordinated offensive often go unheeded. Moreover, the Congress' support of the administration would signal the unity of the American people in opposing the brutal and inhuman Syrian behavior in Lebanon.
2. Coordinated international economic sanctions against Syria if Syria does not lift the blockade and cease the shelling.
3. American, British, and French coordinated action to escort or reflag ships bringing the civilian population food, medicine, fuel, and other essentials of everyday life. Such protection should also be offered ships bringing industrial and commercial products to enable the Lebanese to get back to work.
4. Indictment *in absentia*, as with General Noriega, of all Syrian officials involved in international terrorist activities such as the murderous bombing of PanAm 103.
5. A complete review of the administration's Lebanon policy, with the objective of establishing a plan before the end of 1989 to begin withdrawals of all foreign forces from Lebanon.

These are the essential starting points of a new and more appropriate U.S. policy on Lebanon. These two countries have an unbroken history of friendship and share the common values that must serve to build a more progressive and humane world. Values are not just rhetoric. What separates this country from others is its continuing search for justice and our belief as Americans that we must work to make the world better for ourselves and our children. Our values are the signposts along the path to better this world, and national policy, as we found at such a high price in the 1930s and 1940s, cannot be divorced from values. If the United States has led the free world, it is because the free world needed a leader, but also because the United States had the courage to lead. To abandon that leadership today would not only betray those who still fight for their freedom; it would also subvert our own security today and aspirations for tomorrow.

The real battle for freedom is not more in Afghanistan, Mr. Chairman, or even in Central America, than it is in Lebanon. In Lebanon the lines are clear between a people who have known freedom and constructed and successfully operated a thriving democracy for decades, a people currently under attack by artillery and strangulation by an illegal blockade, a people that has contributed significantly both to the culture of the free world and to the institutions of human rights protection; and on the other side a brutal regime that has not hesitated to massacre 20,000 of its own people in a week in one of its own cities; that has intentionally begun two wars; that denies the very existence of any semblance of human rights or liberties; that cynically supports a panoply of terrorist groups and sponsors numerous terrorist attacks against the West, including the United States every year; that promotes and exploits the narcotics trade; and that has consistently and volubly denounced the United States and everything it stands for for decades.

Mr. Chairman, in thanking you for the opportunity to address the committee, I submit the United States has a moral as well as a political obligation to take a more active stand in delivering the free Lebanese people from the muzzle of a murderer's gun.

STATEMENT OF CHOR-BISHOP SEELY BEGGIANI, CHAIRMAN, COMMITTEE FOR LEBANON

Senator LAUTENBERG. Now we ask to hear from Chor-Bishop Beggiani.

Chor-Bishop BEGGIANI. Let me begin, Senator, by thanking you for your opening remarks regarding Lebanon. It is statements like yours that give the Lebanese people much courage, and we know of your sincere concern for what is happening there.

I wish to thank the committee for giving me the time to be here today, and I will try to summarize my remarks, and I have already submitted my report for the record.

First of all, I wish to thank the committee and encourage the committee to provide whatever tangible support material for natural support to Lebanon.

I know the amount of money available for fiscal year 1990 is small, but that amount itself, for the Lebanese people, is an American pledge that they have not forgotten Lebanon, and it is essential that we not experience what we experienced in the past, that the Congress appropriates funds and then they are eliminated by the executive branch. We need this tangible support for the Lebanese people.

Also, as my colleague has just mentioned, the country of Lebanon is being systematically destroyed. This is an intentional act on the part of Syria, and every facet of humanitarian help is needed.

The United States a few months ago has declared that Lebanon is worthy of receiving emergency aid. We hope that that aid is getting through.

I know a couple of weeks ago Senator Dole said he was going to keep his eye on it, as did Senator Mitchell. But we are very concerned that things get a little confused between this side of the ocean and the other side of the Mediterranean. The people must have this emergency help.

Finally, regarding the financial side, we beg you to, if possible, to even increase the allotment to Lebanon. I do not have to tell you what you already know, Senator, and that is the currency has been radically devalued. They have triple digit inflation. Lebanon imports most of its necessities, especially medicine. There are thousands of handicapped orphans and dispossessed people.

But let me also, with the time I have left, support what Dr. Alameel has said. The last 4 months have witnessed the worst shelling of the 15 years of tragedy that Lebanon has undergone. Hundreds have died, thousands have been wounded.

The land blocade has been very vicious. The Syrian army has so tightened its grip in the Christian area, for example, that food and other necessities cannot get through. When boats—neutral ships—try to come into the ports, they are being shelled so they cannot reach port.

The latest development in this Syrian atrocity has been sending Syrian ships in Lebanese territorial waters. Whatever justification Syria might have for being in Lebanon, whatever mandate it might have had from the Arab League, that mandate did not include a sea blockade. This is in violation of any possible justification.

Not only that. In recent weeks Syrian shipping has also been in international waters harassing ships. We believe that the United States which has always defended the freedom of shipping should not allow this to happen.

The fact that Lebanon is a small country and the fact that Lebanese Christians are a small group is no less important to the American sense of justice. So, we plead with you to do what you can in your good offices.

I have stated in my testimony that the solution for Lebanon is not an easy one. We all know that. But in the last several weeks there is one obvious point, and that is that if Syria withdraws from Lebanon, a great deal of the problem will have already been solved. Whatever justifications Syria had in being in Lebanon in the first place has now been completely removed with its vicious shelling of innocent people.

President Assad cannot use the excuse of the alleged presence of frog missiles in order to hit innocent people. No shell has fallen on Damascus. No Lebanese has ever fired on Syrian territory. Syria is not afraid of Lebanon; it is just trying to violate it further.

PREPARED STATEMENT

Finally, the Lebanese people are an innocent people. They are a freedom loving people and I believe it is in the highest interests of the American spirit to help these people in their time of need. Thank you, Senator.

[The statement follows:]

STATEMENT OF CHOR-BISHOP SEELY BEGGIANI

Mr. Chairman, Members of the Committee, I represent the Diocese of St. Maron -- U.S.A., which consists of Maronite Catholics found throughout the United States. Since most of our members are Americans of Lebanese descent or recent Lebanese immigrants, we have a deep concern for the country of Lebanon. As American citizens we believe that it is in the interest of the United States to support the people of Lebanon at this time of ultimate distress.

During the past four months the people of Lebanon have witnessed the worst days of their fifteen-year tragedy. Beginning in March and for several weeks, thousands of artillery shells exploded in civilian areas. Hundreds of innocent people have died and thousands have been injured. Hospitals were set afire and principal fuel storage tanks were destroyed. The Syrian army has blockaded the Christian region by land and through shelling has not allowing ships to come to port. As a result, there is a dire shortage of fuel and electricity and the cost of food and necessities has become prohibitive.

The United States through President George Bush, the State Department, and statements from both houses of Congress has expressed its deep concern for the calamity that the people of Lebanon are suffering. Similar pronouncements have been made by the United Nations, the Soviet Union, France, many European countries, and Pope John Paul II.

The Arab League has held a summit meeting where Lebanon was the priority issue and has subsequently appointed a committee of three of its leaders to deal with the Lebanese situation. The efforts of this committee, which have broad international support, are still going on.

However, in the meantime the shelling continues on almost a daily basis. Even with appeals from the Arab League committee, the Syrian land blockade continues. In recent days, Syrian boats are operating in Lebanese territorial waters trying to prohibit any ships from making port.

While the intervention of the Arab League and the concern of the Super Powers and other nations raise some hope, the lack of any perceptible progress and the continuing blockade is pushing the Lebanese people to the point of despair. At present, the lack of fuel has brought even essential traffic to halt. There is only electricity two hours a day. Food is available at exorbitant prices. In recent days, Syria who has clear military superiority over Lebanon, has used the excuse of the possible shipment of a certain type of missiles to the Lebanese to increase the pressure of its blockade.

If the Arab League, the United Nations, the United States and other concerned countries do not intervene soon, we may still witness the annihilation of a country and its freedom-loving people.

While there is no easy or immediate solution to Lebanon's fundamental problems, one fact is obvious at the present time: the death and destruction that is taking place in Lebanon today would not be happening if the Syrian troops were not in Lebanon. We have declared in our testimony before various Congressional committees over the past few years that all foreign forces should leave Lebanon, and this is still our position. However, at this moment hundreds of innocent Lebanese have died at the hands of Syrian bombardment.

Whatever Syria's reasons for being in Lebanon, as peacekeeper, pacifier or occupier, she has gone beyond the limits of recognized rules of warfare and of basic human decency. Syria herself should not want the blood of innocent Lebanese on her hands. If Syria wishes the respect of the community of nations, she should withdraw immediately from Lebanon and allow the Lebanese to deal with each other and determine their own destiny.

The presence of the Israeli army in the south of Lebanon, not only violates Lebanon's territorial sovereignty, but is a serious source of instability. We believe that Israel's security can be far better insured by enhancing the presence of the United Nations forces in the area and reestablishing the presence of the Lebanese army. Israel's complete withdrawal from Lebanon would be a major step in bringing peace to that democratic country.

General Michel Aoun and other Christian leaders in Lebanon are on record as advocating political reforms. We believe that they should be given the opportunity to "put up or shut up." However, serious discussion and enactment of reforms can only take place with the free election of a Lebanese president and speaker of parliament. None of these steps can realistically take place as long as Syria demands the right to dictate reforms and install a hand-picked president. Lebanon cannot hope to continue as a democracy as long as it is dominated by an autocratic Syria.

We support strongly all U.S. financial aid to Lebanon. At this time of severe crisis any tangible evidence of American support is crucial in strengthening the Lebanese will to survive. Because the country is being systematically and totally destroyed, primarily by Syrian guns, any and every facet of humanitarian assistance is needed. Some weeks ago, the United States declared that Lebanon qualified for emergency assistance. We believe that the United States out of its humane and generous spirit should at the very least assist in providing basic tools of survival quickly and expeditiously.

The financial package requested for Lebanon for fiscal year 1990 is relatively small and could easily be tripled. In the last few years Lebanon has witnessed a rapid and severe devaluation of its currency as well as triple-digit inflation. This situation is exacerbated by the fact that Lebanon imports the vast majority of its necessities, especially medicine. Many families earn far less than what is needed to survive. There are thousands of handicapped and orphans. Thousands of families are homeless and dispossessed.

However, as stated above, we value any financial help by the United States as ongoing tangible evidence of the commitment of the United States to support Lebanon and its people, and for this support we are grateful. The Maronite Patriarchate in Lebanon has instituted the Maronite Social Fund, which is directed toward addressing the needs in food, health, education and housing. Caritas-Lebanon, a private organization representing all the Christian communities, has been providing extensive charitable help to both Christians and Moslems in need. Our Diocese of St. Maron in the United States has already raised thousands of dollars from its members to help displaced families in Lebanon.

While recognizing the excellent work being done by Catholic universities in Lebanon, we also strongly support U.S. aid to the American University of Beirut and Beirut University College. It is essential that American values and culture be known to the people of the Middle East. In recent times the establishment of the East Campus of the A.U.B. has enabled Christian students to continue their studies at the University who would otherwise have to risk their lives to cross into West Beirut. We ask that the campus be maintained until the crisis is over.

Some have said that the world has grown weary of worrying about Lebanon. Others have said that considering all the risks, the United States should not get very involved with Lebanon. However, we cannot forget that the overwhelming majority of the Lebanese people are innocent victims of fifteen years of death and violence. It is in the highest traditions of the American

Senator LAUTENBERG. Thank you, Bishop, for your candid comments. Anyone with any sense of decency, humanity, is shocked by the information we see—whether it is in the newspapers, magazines, television—of children, innocent people being subjected to indiscriminate shelling for what purpose.

Anyway, thank you very much, and I will pay close attention to your requests.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

Commission for Lebanon

Question. You recommend that we continue to support the American University of Beirut and Beirut University College. I understand that Beirut University has suspended operations at least temporarily. Can those institutions function effectively as long as the violence there continues unabated? How can we be confident that our funds will be well spent?

Answer. While it is accurate that Beirut University College, like the American University in Beirut, has temporarily suspended classes, BUC unlike AUB is composed of three campuses: Beirut, Byblos and Sidon. It should be noted that the campus at Sidon has continued to operate and has completed the spring term. The fall term is scheduled to begin on time and no problems are foreseen.

The University expects to reopen the Byblos and Beirut campuses in August in order to complete the spring term. It is expected that the fall term will be delayed until October. Beirut University has struggled valiantly to continue to provide a western liberal arts education to over 4,000 students on a modest budget of slightly more than $4 million. The University has instituted severe measures to meet this budget, including salary cuts for faculty and increased tuition for students.

Beyond today's headlines, there is another important confrontation occurring in the Middle East today. That is the battle for intellectual freedom and human values. Educators, journalists and modern political leaders are under attack from intolerant fundamentalists and extremists. Maintaining an open liberal arts institution is not easy in this atmosphere. The determination of the individuals -- students, faculty and administrators -- who comprise these two important American institutions to struggle in the face of extraordinary difficulties is impressive and they should not be abandoned. In the end, if civility, order, democracy and the respect for basic human values is ever to be restored in Lebanon, these institutions will have played a vital role in preserving these values and passing them on to the next generation.

U.S. support, therefore, is more important today than ever. No dollar can be better spent in the region than supporting those who are on the front line in the battle between intellectual freedom and intolerance.

STATEMENT OF KHALIL JAHSHAN, ASSOCIATE EXECUTIVE DIRECTOR FOR PUBLIC AFFAIRS, NATIONAL ASSOCIATION OF ARAB AMERICANS

Senator **Lautenberg**. Next, we will hear from Mr. Khalil Jahshan. We invite you also for 4 minutes, I am sorry to say. Your written testimony, your full testimony will be included in the record. Mr. Jahshan.

Mr. **Jahshan**. Thank you, Mr. Chairman. The National Association of Arab Americans, the NAAA, welcomes this opportunity to present our views on the Middle East portion of the administration's fiscal year 1990 aid request.

As the principal lobbying organization presenting the aspirations of the three million Americans of Arab descent, NAAA strives to promote close and cordial relations between the United States and the Arab countries of the Middle East and North Africa.

In presenting this testimony we seek also to ensure that American foreign aid tax dollars are spent in the most effective and productive way possible. Mr. Chairman, our specific recommendations concerning the Bush administration's fiscal year 1990 foreign aid requests for our allies and friends in the Middle East are detailed in our written testimony submitted for the record.

Due to the limited time, as you have just indicated, I would like to focus my testimony on the main issues which underlie NAAA's position on U.S. foreign aid in general and on a couple of specific recommendations.

In these times of fiscal austerity, Mr. Chairman, the American people are rightly concerned with controlling the budget deficit and promoting fiscal responsibility. We, as Arab Americans, share and support these concerns. Nevertheless, we recognize that foreign assistance is an important policy tool which helps promote and protect U.S. national interests.

Dispersed in a fair and equitable manner, U.S. aid can assist friendly countries around the world in strengthening their economies and meeting their legitimate defense needs. It is our view that while the foreign aid budget should be strictly monitored and cut when necessary, U.S. foreign assistance is an indispensable and worthy mechanism that should be allocated sensibly and in a way that benefits U.S. national interests.

We believe that the foreign aid process has become unnecessarily cumbersome and that changes that will streamline that process and allow a more equitable distribution of U.S. assistance to a wide range of deserving nations should be a welcome and beneficial development.

In particular, we believe that all recipient countries without exception should be expected to bear their fair share of the burdens associated with reductions in the total foreign aid package and that the practice of earmarking aid should, as a general rule, be avoided.

Congressional earmarking of more than 90 percent of security assistance moneys in recent years has tied the hands of the administration and resulted in the termination of many unprotected but much needed security assistance programs worldwide at a time when aggregate funding levels for U.S. foreign aid have declined. We believe that these developments have hurt U.S. interests in the Middle East and elsewhere.

In specific terms, the following are highlights of the recommendations we have submitted in writing for the Middle East countries. In Lebanon, we urge this subcommittee to support multinational efforts such as the Arab League initiative to effectuate an immediate and enforceable cease-fire in Lebanon, including a concerted international effort led by the United States to reduce the flow of weapons to the various factions.

Linked to the cease-fire, we support the immediate lifting of all sea and land blockades on all Lebanese ports. A peace conference must be held to which all the combatants in Lebanon are invited that will establish a new government securing and protecting the basic rights and liberties of every Lebanese citizen. Withdrawal of all foreign forces from Lebanon should follow. Work toward a solution to the problems of Lebanon must proceed despite the existence of other conflicts in the region.

In the short term it is essential that the United States visibly demonstrate its deep concern for Lebanon and its people by delivering humanitarian aid to Lebanon on a scale sufficient to leave no doubt as to American intentions. While we recognize the difficulties, of course, with the PVO's dispensing that money, it is important to increase that amount as was suggested by the previous speakers.

The NAAA is very proud of having just succeeded in helping to pass a resolution on the House side raising the allocation to Lebanon from $2.5 to $7.5 million, even though we feel that $25 million would be a more reasonable amount to assist the people of Lebanon.

In terms of the West Bank and Gaza, the administration is requesting $12 million in ESF funding for the West Bank and Gaza development activities, some $3 million less than the $15 million estimates for fiscal year 1989 obligations. We believe that the request is the absolute minimum necessary to preserve United States interests there, particularly in light of the severe economic strains that are being felt as a direct result of the uprising or the Israeli crackdown on the resistance there.

PREPARED STATEMENT

We urge the subcommittee to authorize no less than the $12 million requested but recommend that the figure be increased to $15 million. We feel that this is a very valuable program in U.S. foreign aid, and this program, from our perspective, represents a real and valuable investment in peace. Thank you, Senator.

[The statement follows:]

STATEMENT OF KHALIL JAHSHAN

US foreign assistance should be allocated sensibly and in a way that benefits US national interests. We believe that all recipient countries should bear their fair share of the burdens associated with reductions in the total aid package that Congress may deem necessary.

Congressional earmarking of more than 90 percent of security assistance monies in recent years has tied the hands of the Administration and resulted in the termination of many unprotected, but much-needed security assistance programs worldwide at a time when aggregate funding levels for US foreign aid have declined. We believe that these developments have hurt US interests in the Middle East and elsewhere.

The President's FY 1990 Foreign Aid Requests

Our specific recommendations concerning the Bush Administration's FY 1990 foreign aid requests for Jordan, Lebanon, the West Bank and Gaza, Oman, Morocco, Tunisia, Sudan, Egypt, and Israel are given below. In addition, NAAA supports the Administration's aid request for Algeria, Djibouti, Mauritania, Somalia, and Yemen.

Aid to Jordan

We believe that the United States has not given Jordan the kind of support in recent years that it requires and deserves. We strongly support the increased aid levels the Administration has proposed for Jordan for FY 1990. Full appropriation of the proposed $35 million in ESF aid is critical. Jordan has already introduced stringent import restrictions and other very painful austerity measures. The most intense pain of economic reform is falling heavily on those least able to bear the burden. PL 480 grants could help significantly to ease that pain and we urge this subommittee to give strong consideration to the provision of food aid to Jordan in the coming fiscal year.

We support the $48 million in FMS assistance that has been requested for Jordan in FY 1990, although it is clear that it is nowhere near enough. We note with regret that US military assistance levels have decreased to the point that Jordan has a negative cash flow in servicing its FMS debt burden and believe that it is crucial that the President's request be authorized in full.

Aid to Lebanon

We urge this Subcommittee to support multi-national efforts, such as the Arab League initiative, to effectuate an immediate cease-fire in Lebanon, including a concerted international effort led by the United States to reduce the flow of weapons to the various factions. Linked to the cease-fire, a peace conference must be held, to which all of the combatants are invited, that will establish a new government securing and protecting the basic rights and liberties of every Lebanese citizen. Work toward a solution to the problems of Lebanon must proceed despite the existence of other conflicts in the region.

In the short term, it is essential that the United States visibly demonstrate its deep concern for Lebanon through the delivery of humanitarian aid to Lebanon on a scale sufficient to leave no doubt as to American intentions. While we recognize the difficulties associated with extending aid to Lebanon, we believe that the $2.55 million total of economic and military assistance that the Administration has requested is inadequate. PL-480 assistance has been providing significant relief to a suffering population, but a substantially greater commitment is needed. We believe that $25 million in aid for FY 1990 is the minimum sum necessary for Lebanon. Barring that, we urge this Subcommittee to approve a level of not less than $7.5 million in assistance for Lebanon.

We fully support the Administration's proposals for ASHA funds that will go to deserving institutions in the Arab world, including the American University of Beirut. US aid to AUB has for many years been one of the best long-term investments in US-Arab relations and a tangible signal of the US commitment to academic excellence and freedom. We urge this Subcommittee to ensure that this vital assistance be continued.

At the same time, we do not believe that the ASHA program should be used as a kind of "pork barrel" to advance projects that go beyond reasonable guidelines. ASHA funds should not be used to train persons for religious pursuits or to construct facilities intended for worship or religious instruction. We are particularly incensed that AID has apparently earmarked monies for a teacher training institution for Jewish settlements in the occupied West Bank when for most of the past 19 months Israel has forced Arab primary and secondary schools and universities in the West Bank to remain closed.

Aid to the West Bank and Gaza

For FY 1990, the Administration is requesting $12 million in ESF funding for West Bank and Gaza development activities -- some $3 million less than the $15 million in estimated FY 1989 obligations. We believe that the request is the absolute minimum necessary to preserve US interests there, particularly in light of the severe economic strains that are being felt as a result of the Israeli crackdown on resistance to its military occupation and the cancellation last year of the Jordan West Bank/Gaza Development Program. Private economic development has been a major casualty of the military occupation. We urge this Subcommittee to authorize no less than the $12 million requested, but recommend that the figure be increased to $15 million. US assistance will continue to foster economic growth, expand employment, and improve health and welfare services, but only if aid levels are sufficient to enable the programs to endure.

Even under the current unsettled conditions on the West Bank and Gaza, the grassroots projects successfully established by the American PVOs are still operational and must be encouraged. Please bear in mind that the most prominent US presence in the West Bank and Gaza during the uprising has been the American-manufactured military equipment, tear gas, and munitions of the Israeli Army. For many Palestinians, rightly or wrongly, this equipment is the most tangible expression of America's intentions in the occupied territories. As a counterweight to this, the small aid program for the West Bank and Gaza conveys a message of hope and peace to the Palestinians which should not be underestimated.

Aid to Oman

We note with approval that the the Administration's request in ESF aid for Oman is somewhat greater than in FY 1989. The ESF request has been increased to $20 million in FY 1990 from $15 million in the previous fiscal year. We urge this Subcommittee to approve this year's aid request for Oman.

The United States and Oman have enjoyed a warm friendship and close cooperation for many years. Strategically located Oman is actively modernizing its military to contribute to regional defense as a member of the Gulf Cooperation Council. It has also granted the United States limited peacetime and extensive emergency access to its military facilities, enabling the United States to meet threats to its vital interests and those of its Arab friends in the Gulf.

Aid to Morocco

NAAA supports the Administration's FY 1990 request of $119.6 million for Morocco. We note with regret, however, that the total security assistance level has been reduced by more than $11 million when compared to FY 1989 allocations. In addition, ESF will be reduced by $5 million. These reductions are unfortunate.

The Moroccan economy has suffered under severe strains in recent years. It needs and can effectively utilize the $27.5 million in ESF and Development Assistance and $50.7 million in PL 480 assistance that the Administration has proposed. At the same time, Morocco has shown itself determined to implement a program of fiscal austerity and economic adjustment under the assistance of the World Bank and the International Monetary Fund, and it has succeeded in becoming one of the most successful countries in the world in carrying out an economic stabilization program. As a result of these economic reforms, Morocco has significantly reduced its budget deficit and increased non-traditional exports. Adequate US aid is vital if Morocco is to meet its goal of achieving sustainable economic growth.

Aid to Tunisia

The Administration's FY 1990 request of $59 million for Tunisia is somewhat greater than last year's request. We support this request, but believe that the $27.5 million in ESF and PL 480 aid is the minimum amount necessary to meet Tunisia's very pressing economic needs.

Since President Zine El Abidine Ben Ali assumed office in November 1987, in accordance with Tunisia's constitution, the Tunisian leadership has continued to follow the moderate pro-West policies that have been a hallmark of Tunisian-American ties. Under its new leadership, Tunisia has undergone considerable economic liberalization and has moved towards a more market oriented economy.

Tunisia still faces economic difficulties. It has, however, demonstrated a determination to overcome them. The Tunisian government is currently implementing a comprehensive economic reform program, supported by the International Monetary Fund, that is designed to reduce its balance of payments deficit and promote the private sector. These reforms, together with an marked increase in tourism, have produced impressive results. Last year, for example, Tunisia recorded its first balance of payments surplus since 1956. Implementation of the ambitious reforms that have been undertaken will be facilitated by US aid.

Aid to Sudan

We support the Administration's FY 1990 request for $51.48 million in aid to Sudan and urge this Subcommittee to appropriate the request in its entirety. With a population of 24 million and a per capita GNP of only $320, Sudan is one of the least developed countries in the Arab world. In recent years it has been plagued by the dislocations and carnage of a recurring civil war.

Given the widespread suffering that is being experienced in the Sudan, we urge the United States to move boldly in support of international efforts to bring an end to that war. We are particularly concerned that international humanitarian efforts be increased in both size and effectiveness. We agree with Senator Gordon Humphrey and Representative Frank Wolf that the United States should substantially increase funding to proven relief programs that are already in place.

Aid to Egypt

The total of $2.28 billion in assistance that has been requested for Egypt is comparable to last year's aid levels. While we recognize that such a level of aid, both in absolute and relative terms, is considerable, we support the President's request and recommend its approval by Congress. It should be noted that Egypt must spend its entire ESF allotment alone on repayments to the United States on its past debt. Without such assistance, the strains placed on Egypt's economy by debt servicing requirements would be unbearable.

US assistance to Egypt plays a pivotal role in the ability of Egypt to institute much-needed but unpopular economic reforms. There is no doubt that further significant reforms are both necessary and desirable in the long run, though the burdens of such reforms on the large and growing Egyptian populace will be substantial and must be allocated equitably.

Aid to Israel

More than 19 months after the outbreak of the intifadah in the Occupied Territories, Israel continues in its vain attempt to break the spirit of the Palestinian people, who resist its occupation. It is by now obvious that the intifadah is an indigenous movement that has arisen and has endured out of the despair of the Palestinian population over a detested occupation of more than 22 years. That despair will persist as long as the occupation continues.

Many Israeli abuses of human rights have been documented by the Department of State in the most recent Country Reports on Human Rights Practices. We strongly believe that the worsening human rights situation in the Occupied Territories may be attributed, in part, to our government's failure to insist that Israel uphold basic standards of decency. We clearly understand that the United States is committed to the security of Israel, but there is no conflict between that commitment and the responsibility to take concrete action against the widespread killing and maiming of human beings. On the contrary, that very commitment is the strongest argument in favor of decisive action. Israel should be put on notice that the United States will use its considerable influence to bring Israeli human rights abuses to an end, not merely take note of them. There can be no substitute, therefore, for the complete and immediate cessation of such human rights abuses.

Israel's recent call for "elections" in the Occupied Territories should also be seen in light of the history of the occupation. Elections held in1976 resulted in sweeping victories by candidates with clear ties to the PLO. Within a few years, many of these popularly-elected officials had been deposed, maimed, or deported by Israeli authorities or armed settlers. It is only reasonable that the Palestinian people should question whether elections sponsored by an Israeli Prime Minister who rejects even the basic concept of "Land for Peace" can offer the Palestinians any hope for an end to years of repression. Indeed the present proposal appears to be no more than a device created by the Shamir government for the purpose of perpetuating the military occupation while we in the West debate the placement of ballot boxes and colors permitted for campaign posters.

For FY 1990, the Administration has requested $3 billion in ESF and FMS assistance for Israel. This amounts to an outlay by the US taxpayers of $710 for each of Israel's 4.2 million people. Israel also receives substantial assistance under the American Schools and Hospitals Abroad program -- some of which has come under congressional criticism -- and other aid. Our generosity for Israel contrasts sharply with the meager sums of aid we provide to both Lebanon and the West Bank and Gaza, which need aid desperately.

Beyond this, we feel it is important to emphasize the following additional points. First, we are puzzled by the deep concern expressed in Congress in recent months over the "introduction" of missiles by Arab countries in the Middle East. The Arab countries are not the first to introduce such missiles, nor do they have, to our knowledge, nuclear weapons capabilities. Israel, on the other hand, possesses nuclear warheads and has had the ability to deliver them with advanced Jericho missiles for some time.

We are much more concerned that Israel refuses to sign the Nuclear Non-Proliferation Treaty, and has repeatedly rejected requests to allow US officials to inspect its nuclear facilities. We believe that US and international concern should be vigorously and persistently directed towards Israel's clandestine nuclear capabilities. This Subcommittee should actively consider conditioning further US aid on Israeli cooperation with the international community on nuclear arms control by signing the Nuclear Non-Proliferation Treaty. It would then join the following Arab countries which have already signed: Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, the Yemen Arab Republic and the Peoples Democratic Republic of Yemen.

Second, Israel continues to maintain a military presence in Lebanon almost seven years after its 1982 invasion. It continues to arm and maintain a surrogate militia force, the "South Lebanon Army," in a so-called "security zone" on Lebanese soil, and has on several occasions in the past gone beyond that "security zone" to illegally harass and detain Lebanese who continue to oppose an Israeli presence in Lebanon.

There have been numerous instances of expulsions of Lebanese citizens from this "security zone" by Israel and its surrogates, which have also severely obstructed the peacekeeping efforts of United Nations UNIFIL forces. This obstruction has even resulted in the deaths of UNIFIL soldiers at the hands of Israeli troops or their surrogates. We believe the US Government should do everything in its means to pressure Israel to refrain from further expulsions and end its occupation forthwith.

Conclusion

We believe that the closest possible relationships between the United States and the countries of the Arab world are an essential component for promoting US national security interests in the Middle East. These relationships, built on mutual trust and respect, will benefit all parties concerned. There can be no doubt whatsoever that the opening of the US-PLO dialogue has raised the credibility and prestige of the United States considerably in the Arab World.

The National Association of Arab Americans has for many years emphasized the need for Palestinians and Israelis to meet directly at the negotiating table. With the opening of the US-PLO dialogue, that possibility is perhaps a step closer, though the obstacles to such negotiations remain formidable. We hope that the Bush Administration, with the blessing and encouragement of the US Congress, will continue to build upon this auspicious beginning.

Senator LAUTENBERG. I am sorry that we do not have time to hear all of your testimony, but we have it here, and it will be in the record.

[The following questions were not asked at the hearing, but were submitted to the witness subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR PATRICK J. LEAHY

National Association of Arab Americans

Question: How can you advocate the full $51 million requested by the Administration for Sudan? Why should we give anything besides humanitarian aid to that country, when the government was just overthrown by a military coup, it's previous president was getting weapons from Libya and used food as a weapon against his own people, and wasted millions of dollars of US aid?

Answer. We believe that the full $51.48 million in aid requested for Sudan is the minimum necessary to promote US interests in that country. Such aid -- which the Bush Administration has deemed to be in the US national interest -- can encourage the government of Sudan to pursue policies that will lead to an end to the civil war and closer relations with the United States. We are frankly puzzled by the question under reply, which on the one hand complains about offenses allegedly committed by the previous government of Sudan and on the other objects to its overthrow by the current regime.

It is always difficult to predict with any certainty just how a new government in any country will develop in future years. There are, however, a number of hopeful signs in Sudan, which we believe should be encouraged. First, the leader of the new government, Lieutenant General Omar Hassan Ahmed Bashir, has announced that his top priority is to end the civil war in Sudan. Reports indicate that the government has already announced a unilateral cease-fire in that conflict and offered to discuss differences with the rebels. The extension of US aid to Sudan will encourage the new government to continue this laudable initiative. We believe that the ending of the civil war -- a war in which both sides share considerable blame -- is an imperative for Sudan's future.

Second, the new government seems to be favorably disposed to the West and eager to improve relations with neighboring Egypt. These tendencies should also be encouraged, particularly if members of Congress are concerned that the previous government was "getting weapons from Libya." Withholding of U.S. aid will merely stimulate the government to look elsewhere for assistance and postpone the time when Sudan can return to civilian rule.

If, as alleged in the question under reply, the previous government of Sudan "wasted millions of dollars of US aid" in the past, the Administration and Congress should certainly act to ensure that such waste does not continue. That is, however, no reason to withhold aid that the Bush Administration has determined is needed by Sudan. Rather, safeguards should be implemented that will ensure the aid is used properly.

It should be noted that more than 88 percent of the Bush Administration's FY 1990 aid request for Sudan consists of various forms of economic assistance. Only $6.05 million in FMS and IMET funds are included in the request, and of that sum, a substantial part would be used to support C-130 aircraft, the workhorse of the humanitarian relief effort.

NAAA believes strongly that the United States Government should move boldly in support of international efforts to bring an end to the civil war in Sudan. We are particularly concerned that international humanitarian efforts be increased in both size and effectiveness. We agree with Senator Gordon Humphrey and Representative Frank Wolf that the United States should substantially increase funding to proven relief programs that are already in place. At the same time, we believe that the assistance for Sudan that the Bush Administration has requested, is not only a wise investment of foreign assistance dollars, it is also fully warranted at the present time.

STATEMENT OF JOSEPH D. YOUSSOUF, ATTORNEY, REPRESENTING THE TURKISH CYPRIOT CULTURAL AND EDUCATIONAL ASSOCIATION

Senator LAUTENBERG. And last, we are going to hear from Mr. Youssouf. We ask you, Mr. Youssouf to also—just because you are last does not mean any special dispensation. You still get 4 minutes.

Mr. YOUSSOUF. Thank you, Senator. I appreciate the opportunity to appear before the committee to present testimony relevant to foreign assistance appropriations for Greece, Turkey, and Cyprus.

As the Senator knows, on July 11, 1989, this committee received testimony from Greek lobbyists and Greek Cypriot lobbyists in which they urged the cessation of all military and economic assistance to Turkey until certain events occurred on Cyprus.

Now, what their testimony is tantamount to, Senator, is a complete support of Senate bill 22, which is currently pending. Now, that bill urges that there be no assistance to Turkey whatsoever until six conditions are satisfied: The withdrawal from Cyprus of all Turkish military forces in excess of the number permitted by the 1960 Treaty of Guarantee; the return of that portion of Famagusta known as Varosha, to Greek control; something called significant progress toward the establishment of a constitutional democracy based on principles of majority rule and the rule of law; the release and return of Greek Cypriot and American nationals allegedly abducted by Turkish military forces in 1974; the derecognition of the Turkish Republic of Northern Cyprus; and the recantation of the Turkish Cypriot declaration of nationhood.

Now, during the course of that same testimony it was pointed out that negotiations between the two communities of Cyprus—the Greek and Turkish communities—are continuing under the aegis of the United Nations. It was urged that the United States assume absolutely one side of this particular argument and that by doing so—by bringing the prestige and power of our government to bear—we would somehow force a solution to the very complicated Cyprus dilemma.

I submit, Senator, that nothing could be further from the truth. The basic fact is that the situation on Cyprus is deeply rooted in a history unfortunately bathed in blood. The one fact that emerges as you examine Cypriot history from 1974 to 1989 is that since the Turkish intervention and the separation of the two communities of Cyprus, there has been no war. There has been no bloodshed.

I was fortunate enough to visit Cyprus in August 1988, just about 1 year ago, and speak with family and friends and acquaintances there. What I observed made me realize something that I wish I could convey effectively to the Congress and to the executive branch. That is, what you have in northern Cyprus now—contrary to what has been portrayed by a very well funded and organized Greek and Greek Cypriot lobby—is a thriving, incipient democracy in Northern Cypress.

The people of Northern Cyprus are Turkish Cypriots. They are proud of their heritage. They are proud of their religion and their culture. But most importantly, they are proud of the fact that they have established, under the aegis of President Denktash, a real democracy with elections that had something that we would be envious of and that is 89-plus percent participation by the voters.

What they are asking for is an opportunity for equality. What they are looking to do is really in the highest traditions of what we hold sacred in this country, and that is exercise basic democratic rights.

Now, those who testified prior to me on this particular matter urged that all evil on Cyprus stems from the 1974 Turkish intervention. That is a historical, inaccurate portrayal. The 1960 constitution was abrogated as early as 1963, and the Turkish Cypriot population was excluded from participation in the government. As a result, the events of 1974 were inevitable.

What I hope to convey to the Congress is that forbearance at this juncture is in the best interest of the United States. A resolution of the Cyprus dispute can only be had by the two parties primarily concerned with the support of their sponsors. In this case I am referring, of course, to the Greek population and the Turkish population of Cyprus and, of course, Turkey and Greece.

To blindly adhere to an anti-Turkish, pro-Greek position in the very important manifestation of foreign aid would be counterproductive. I respectfully refer the Senator to the effects, or lack of effect, of the 1975 arms embargo to Turkey. That did not solve the Cypriot dispute, nor will S. 22.

PREPARED STATEMENT

So, rather than engage in foolish one-sided legislation that sends a negative message to a very important ally of the United States, I urge forbearance. Allow the parties to do what they have been doing, which is talk in an attempt to resolve a very difficult problem. Thank you very much, Senator.

[The statement follows:]

STATEMENT OF JOSEPH D. YOUSSOUF

Thank you for this opportunity to appear before your committee to present testimony relevant to your consideration of Foreign Assistance Requests for Fiscal Year 1990 to Greece, Turkey and Cyprus.

On July 11, 1989 this committee received testimony from representatives of Greece and Greek Cyprus regarding the situation in Cyprus.

Both of these professional lobbyists sounded an old familiar theme. They urged the Congress to use American military and economic assistance to pressure Turkey into withdrawing its troops from Cyprus and to compel the Turkish Cypriot people to accept the Greek Cypriot position regarding the future of Cyprus. They couched their appeal in terms of respect for the "Rule of Law" and falaciously analogized Turkey's 1974 intervention in Cyprus to the Russian invasion of Afghanistan and the Vietnamese invasion of Cambodia.

In their distorted view of the history of Cyprus, no problems existed between the Turkish and Greek Cypriot communities prior to 1974. They apparently believe that the Cyprus dilemma will be resolved upon the withdrawal of Turkish armed forces from Northern Cyprus. In simple terms, they urged the Congress to come down squarely behind the position asserted by Greece and Greek Cyprus and to ignore the historical realities of the Cyprus dispute and the interests of the Turkish Cypriot population. Their position may best be described as modern Greek mythology. The problems which compelled

Turkey to intervene in Cyprus in1974 are deeply rooted and cannot be ignored. Simplistic, non-historical solutions are impractical and dangerous. Before pretending to speak for the Turkish Cypriot people, they should speak with the Turkish Cypriot people. They would have you believe that Turkish and Greek Cypriots are being forceably separated and that the two peoples of Cyprus long for the golden days of yesteryear when they lived in blissful harmony side by side. The grim reality is that the Turkish Cypriot population fears that the removal of Turkish military forces from Cyprus will subject them to the will of a hostile, well-armed and vengeful Greek Cypriot population. The positions advocated by Greek and Greek Cypriot lobbyists as embodied in Senate Bill 22 are biased, unfair and would be counterproductive to the interests of the United States.

Senate Bill 22 proposes a cessation of all military and economic assistance to Turkey until that nation has satisfied six major conditions:

1. The withdrawal from Cyprus of all Turkish military forces in excess of the number permitted by the 1960 Treaty of Guarantee."

2. The return of Varosha to the Greek Government of Cyprus.

3. Significant progress toward the establishment of a "constitutional democracy" based on the principles of majority Rule, the Rule of Law and the protection of minority rights.

4. The release and return of Greek Cypriot and American Nationals allegedly abducted by Turkish Military forces in 1974.

5. The De-recognition of the Turkish Republic of Northern Cyprus.

6. The recantation of the Turkish Cypriot Declaration of Nationhood.

If this bill becomes law, the Congress will betray our nation's historic committment to the internationally recognized right of self-determination. To make this ill-conceived legislation law will be tantamount to the adoption of the one sided and extremely biased view of Cypriot history which has been consistently advanced by the Greek and Greek Cypriot lobby in this country since the events of 1974.

At the heart of S-22 lies the proposition that the Turkish Republic of Northern Cyprus is the illegitimate creature of Turkey.

Advocates of S-22 must, of necessity, believe that the Turkish Republic of Northern Cyprus merely exists to justify Turkey's continuing military occupation of a portion of Northern Cyprus. This bill effectively reduces the Turkish Cypriot population to mere pawns in a game of territorial aggrandizement played by Turkey at the expense of Greece and the so called Republic of Cyprus.

Americans of Turkish Cypriot descent and their families in Cyprus know that the Turkish Republic of Northern Cyprus represents the culmination and embodiment of the democratic aspirations of a people who had long endured racial, ethnic and religious discrimination at the hands of the Greek dominated central government of the Republic of Cyprus.

As Americans, we cherish the words of our declaration of Independence. Our nation's dedication to the principle of self-determination is witnessed by that principles inclusion in the United nations charter. In fact, Article 1, paragraph 2 of that document clearly states that the purposes of the United Nations are to "develop friendly relations among nations based on the respect for the principle of equal rights and self-determination of peoples..." Time and again, the United Nations have adopted declarations and resolutions which reiterate basic support for the principle of self-determination. For example, in the "Declaration on the Granting of Independence to Colonial Countries and Peoples" which was adopted on December 14, 1960 the United Nations declared:

> "All peoples have the right to self-determination; by virtue of that right they freely determine their political status and freely pursue their economic, social and cultural development".

The importance of self-determination was reiterated in the " International Covenant on Economic Social and Cultural Rights" which was adopted by the U.N. General Assembly on December 19, 1966. Yet when Congress examines the Cyprus issue, the right of the Turkish Cypriot people to self-determination is overlooked, ignored or belittled.

In his recent study entitled the Turkish Cypriot State Professor Metin Tamkoc, Professor of International Law in the Department of Political Science at Texas Tech University observed:

> "Granted, the right of self-determination is a noble right, serving the highest humanitarian ideals, and bringing about the liberation of the individual and group from colonial exploitation or indigenous tyranny, nevertheless its enforcement in a colonial territory inhabited by two or more distinct ethnic, religious national groups both expressing a strong desire to form their own polity and determine their own future creates a formidable dilemma".

S-22 fails to recognize this dilemma in its blind adherence to the concept that the Turkish Republic of Northern Cyprus is merely an artificial puppet state.

S-22 also calls for the establishment of a "constitutional democracy in Cyprus based on majority rule, the rule of law, and the protection of minority rights..." The problem with this call for adherence to the principle of majority rule is that on Cyprus the conditions which make majority rule just and equitable have never existed. Advocates of S-22 argue that since the right of self-determination belongs to the people of Cyprus as a whole and since the fate of the island should be determined by what a majority of the people want. Majority rule in the context of a political democracy must be based on two propositions; political equality and the consent of the governed. In Cyprus there has never been political equality and there has never been a unanimous consent of the governed. It must always be remembered that the creation of the Republic of Cyprus was a compromise solution fashioned by a colonial power that was attempting to gracefully extricate itself from Cyprus. With Greeks constituting a permanent "majority" and Turks a permanent "minority" adherence to the simple concept of majority rule with full protection of minority rights is an unworkable proposition.

The basic fact that there has never been a Cypriot polity is at the core of the Cyprus problem. The history of Cyprus is a history of a land where identification with ethnic origins has never been tempered or replaced by identification with the so called Cypriot state. To this day, Cypriots identify themselves as Greek Cypriots or Turkish Cypriots. They speak different languages, they practice different religions and they have different cultural backgrounds.

In our nation, a land of diverse immigrants, belief in the concept of democracy and the ideal of equal opportunity has allowed us to survive and prosper. Unfortunately, we cannot realistically offer our domestic political experience as a solution to a problem as complex as that which exists on Cyprus.

It is time that our government examined the Cyprus problem from a fresh perspective. Rather than tying our nations foreign policy to a one sided interpretation of the history of Cyprus as represented by S-22, we should ask certain fundamental questions regarding the Cyprus dispute and base our policy on a realistic appraisal of the rights of all parties concerned and the relative merits of their positions. The Turkish Cypriot people will not simply disappear if the United States Congress adopts S-22 and attempts to force Turkey to "derecognize" the Turkish Republic of Northern Cyprus. History teaches that freedom loving peoples do not easily abandon their freedoms.

I respectfully request this committee to carefully and dispassionately consider the Foreign Assistance Appropriations for 1990 and to ignore the ill-conceived recommendations contained in S-22. Please do not repeat the mistakes that were made in 1975 at the time the Congress imposed an arms embargo against Turkey. Please do not attempt to use the powerful influence of American military and economic assistance in support of goals which our nation should not support. I sincerely believe that if our actions are governed by adherence to our fundamental principles, our foreign policy will be effective and respected throughout the world.

CONCLUSION OF HEARING

Senator **LAUTENBERG**. Thank you very much, all of the witnesses who appeared today. I have been a member of this subcommittee for some time. The Chairman, Senator Leahy, was unable to be here. He asked me if I would chair this session. I was pleased to do it because I wanted to hear what each of you had to say, those who appeared before us.

We have a very important task now in sorting out what is inadequate funding to start with on an equitable basis. It is very hard when you start with too little to become generous even though the need is great, and certainly each of you and the people who testified on July 11, have made such a strong case for fairness and equity and justice. We hope that your testimony will be reported in such a way that it gets referred to as we contemplate what we have to do as the world's leading democracy to maintain our place in the political leadership as well. Thank you all for being here.

The subcommittee will stand in recess subject to the call of the Chair.

[Whereupon, at 5:34 p.m., Monday, July 24, the hearings were concluded, and the subcommittee was recessed, to reconvene subject to the call of the Chair.]

Material Submitted Subsequent to Conclusion of Hearings

[Clerk's Note.—Additional material was received by the subcommittee subsequent to conclusion of the hearings. The statements will be inserted in the record at this point.]

STATEMENT OF LARRY WILLIAMS

Mr. Chairman, I am Larry Williams, the director of the Sierra Club's International Program. The Sierra Club represents over 500,000 conservation minded individuals in the U.S. and abroad. I am also testifying on behalf of the National Wildlife Federation which has over 5.8 million members.

I want to take this opportunity to thank you, Mr. Chairman, and the members of your Subcommittee for your continuing support in our mutual effort to bringing about environmental reforms at the Multilateral Development Banks (MDBs). These reforms will help ensure that sustainable development becomes the objective of all future projects.

Because I have been asked to limit the length of my testimony I have prepared an appendix in many of the subjects I will be covering which will give the Committee a more complete discussion of the various issues which are touched upon in the testimony itself. I hope that this arrangement is satisfactory.

World Bank

Progress on Environmental Reforms at the World Bank:

The Bank has made some changes in response to our concerns over the quality of their development loans. The establishment of the Environmental Department and the early recognition of the importance of involving local people in the planning process have been good first steps. The question is whether change is coming fast enough and whether the Bank is really serious about improving the quality of their loans to ensure sustainable development and the protection of the natural resource base of the developing countries. We think not.

Environmental Impact Assessment:

It is growing increasingly clear to us that there is little intention on the part of the managers of the World Bank to institutionalize an effective environmental review process which will involve the people who would be impacted by the project and to require an assessment of alternatives.

The Bank staff has recently been spreading the word that environmental impact assessments (EIAs) are now a part of the Bank's project development program. Close questioning of Bank staff, however, makes it very clear that the Bank has adopted a new rhetoric rather than a new EIA policy. This seems to represent a new program of disinformation. In fact, the reference to EIA's comes up on the Bank's new Environment Bulletin,[1] published this January. The Bulletin reports that a new Environmental Operations Support and Strategy Division (ENVOS) has been established with duties which include "Information systems, environmental impact assessment and institutional aspects..." (what ever that means). Several recent press stories also reported that the World Bank is now routinely assessing the environmental impacts of its proposed projects.

The United States has been waiting for five years for the World Bank to improve its lending practices to better protect the natural resources and the indigenous peoples of the Third World. After all of this time we still have no idea when we can expect things to improve.

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[1] Environment Bulletin, World Bank, Vol. 1, No 1, January, 1989.

As a result of our continuing frustration and the Bank's continuing public relations approach to addressing their lending failures, five national U.S. environmental organizations are supporting Congressional legislation designed to further press the MDBs to change their lending procedures. We are asking the Congress to support Congresswoman Nancy Pelosi's legislation, which would require the Treasury Department to issue an Environmental Impact Assessment at least 120 days prior to voting on Bank funded projects. The Treasury, after a two year start-up period, would not be allowed to support any Bank funded project which would have a major impact on the human environment unless an EIA has been issued in a timely manner.

We understand that Treasury does not have the resources to prepare EIA's of all of the Bank projects it must vote on each year. Nor, would we want or expect the Agency to have to develop that capacity. What we do want to happen is for the Banks, or better yet the borrower countries, to supply Treasury with the necessary information and have Treasury repackage the information for public distribution.

We believe that the World Bank will continue to resist the adoption of an EIA process until the pressure get to be too much for it to resist. Through this legislation the U.S. Congress can send the message that the U.S. is not going to continue to play this game of voting blindly for projects on good faith. If the MDBs want to continue counting on our vote they had better improve their lending practices![2]

African Development Bank

For the past two years the Sierra Club, along with the American Farmland Trust and the Natural Resources Defense Council, have been working with the President of the African Development Bank, Mr. Baracar N'Diaye, and his staff, to explore ways in which the African community development NGOs can play a larger role in Bank projects. With Mr. N'Diaye's support we have been working with the Bank staff to develop a proposed project called "The NGO Outreach Project."

Former Treasury Secretary Baker, in his address before the annual meeting of the AfDB in June of 1988 urged the Bank "...to proceed with the proposed joint Bank-NGO Outreach Project which will provide positive support to our environmental goals." Secretary Brady has also spoken out in support of this project. We are now awaiting a decision by the foundations to fund the project.

Last year President N'Diaye appointed Dr. Edward Ayensu as his Senior Advisor on environmental matters. Dr. Ayensu is a Ghanaian national and a leading environmentalists. Dr. Ayensu has lived many years in the United States where he held a senior position at the Smithsonian Institution. In addition, Mr. Seewant Bhoojedhur has been recently hired as the new Director of the Bank's Environmental Department. We have long been urging the Bank to hire an African to head up this department.

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[2] See Appendix I for an expanded discussion of:
1. Environmental Impact Assessment
2. Access to Information - Sri Lanka: A Case Study
3. The World Bank and Working with NGO's
4. The Need for an Environmental Assessment Process.

See Appendix II for a discussion of the World Bank's failure to utilize the Sierra Club's Wildlands Inventory.

The African Bank has recently completed an Environmental Policy study with the objective of preparing a policy paper for the consideration of the Bank Group on Environmental Management and Sustainable Development. Among other things, the study recommends that the Bank implement environmental review procedures within the Project Cycle.[3]

Dr. Ayensu assures me that the African Bank is indeed moving quickly forward to adopt environmental assessment procedures. While the AfDB has a long way to go, we are encouraged by what we are hearing from the senior management of the Bank. We are hopeful that new policies and procedures will soon be in place to consider, in a systematic and thorough way, the impact of Bank funded projects on the environment and to work with the NGOs in the borrower countries.[4]

I enclose a copy of our fact sheet on the proposed NGO Outreach Project for you information.[5]

Inter-American Development Bank

There is no secret about the seriousness of the environmental problems facing Latin America today. The loss of tropical forests and the consequent loss of diverse species of flora and fauna, soil erosion, increased pollution of urban areas, and the importation of toxic waste, are but some of the problems making headlines almost daily.

Of even greater concern is the connection between environmental problems and economic and social development in this region. The "Declaration of Brasilia", a statement endorsed by developing country representatives at the Sixth Ministerial Meeting on Environment in Latin America and the Caribbean, held in Brazil on March 30-31, 1989, expresses this relationship clearly. The document states that:

> ...sound management of natural resources and control of environmental impacts is a common concern of the highest priority to the countries of the region. This recognition expresses the inextricable relationship between environmental concerns and socio-economic development, as well as the obligation to ensure the rational use of resources for the benefit of present and future generations.

Because of the possibility of increased lending by this institution over the next several years there is a heightened concern about multiplying the environmental impact of the kind of projects it now finances. In the past, Bank-financed projects such as hydro-electric dams, penetration roads in tropical forests, and agricultural and livestock credit programs, have all been associated with environmental problems in the region. As President Iglesias recently stated, "We have surely committed errors in the past that we will not repeat."

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[3] Statement of Edward Ayensu, Senior Advisor to the President, African Development Bank, before Congressional staff members, April 10, 1989.

[4] Policies and "Programmes on Environment by the African Development Bank Group," by Edward S. Ayensu, Senior Advisor to the President, Washington, D.C., April 10, 1989.

[5] See Appendix IV. for a discussion of the African Development Bank's interest in debt-for-development swaps.

Despite this spotty track record, we believe that the IDB can play an important role in the promotion of a more environmentally sustainable pattern of development in this region in the future. This can be accomplished through the financing of environmentally beneficial projects, support for governmental institutions dealing with environmental and natural resource issues, enhanced policy reform measures, and the fostering of an increased dialogue among non-governmental organizations, those affected directly by Bank projects, and the governments borrowing funds from the IDB.

In order to promote economically and environmentally sustainable development, some serious changes must be made in the way the Bank currently conducts its business. As stated by the Executive Vice President of the Bank, James Conrow, during the Bank's recent Consultative Meeting on the Environment, "One of our first duties in the immediate future will be to organize ourselves internally so as to better address natural resource management and environmental protection issues."[6]

Agency for International Development

The Africa Account:

We wish to thank the Subcommittee for including language the Appropriations bills for the last two years to establish the Sub-Saharan Africa Development Assistance Fund and appropriating $500 million for that fund. We ask that this Subcommittee to continue to include this language which will protect and maintain this program in the event that the Foreign Assistance Act is not reauthorized or does not contain the Africa Famine Relief and Recovery Act.

We also ask that this Subcommittee continue to set the funding targets of ten percent for each of the following three activities: 1) maintenance of the natural resource base, including agricultural activities which directly support this purpose; 2) improvements in health conditions, with special emphasis on the needs and education of mother and children, and 3) voluntary family planning. We urge the Subcommittee to continue to target at 10 percent these three activities for FY'90.[7]

Biological Diversity Protection Act Funding:

AID set aside $4.5 million for the protection of biodiversity and tropical forests for FY'88 and we understand has made a commitment of the same amount for FY'90. We appreciate the fact that the Agency took this action without waiting for the Congress to direct it to do so. Our observations indicate that AID is doing a good job of implementing this law and not merely trying to fund existing projects by relabeling them to fit the Biodiversity Law.

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[6] See Appendix III for an expanded discussion of the Inter-American Development Bank:

1. Positive Steps the Bank has Already Taken.
2. Environmental reforms yet to be carried out.
3. Increased environmental staffing.
4. The need for a new environmental unit.
5. Increased investment in environmentally beneficial projects.
6. Improved monitoring of Bank financed projects
7. Increased participation of non-governmental organizations in Bank activities.
8. Environmental reforms the Bank has neglected to consider.

[7] See Appendix V. for a discussion on International Family Planning.

United Nations Environmental Program

United Nations Environmental Programme (UNEP) has a significant role to play in bringing together the member nations on important environmental issues and to seek appropriated solutions to these problems. Yet, this agency has been under funded for many years by the U.S. We are asking this Subcommittee to appropriate $12 million dollars for FY '90.

Depletion of the ozone layer, which shields the earth from harmful levels of ultraviolet radiation, is a critical issue. UNEP was instrumental in preparing a protocol which will establish global controls for CFC's. We are pleased that the Congress has ratified this protocol. This protocol is only the first step in what will be a long and difficult journey to protect the ozone layer. Adequate funding for this agency is essential if this and the many other international environmental problems needing attention are to be properly addressed by UNEP.[*]

Concluding Remarks on the MDB's and Funding Recommendations

In summation, we support full funding of the MDB's for FY'90. While we find the progress to institutionalize sustainable development considerations in the MDB's project development process very slow, we do detect some forward motion within each of the Banks.

We are also encouraged by the continued support the U.S. Treasury Department is giving this matter as well as a growing number of member governments.

Appendix I.

The World Bank's environmental performance:

Environmental Impact Assessment:

Earlier this year Mr. Kenneth Piddington, the director of the Bank's Environmental Department, addressed a group of Congressional staffers about the Bank's progress in addressing the environmental impacts of its projects. Mr. Piddington reported to this gathering that the Bank is now doing environmental assessments on its projects. When asked by a member of the audience to provide a copy of one of these assessments Piddington had to admit that nothing is written down! Apparently the Bank project staff is only required to think about the environment when developing project loans!

The Bank's opposition to institutionalizing an environmental assessment process was made very clear to us at a meeting with Mr. David Hopper, Vice-President for Operations, during the World Bank's annual meeting in Berlin. Mr. Hopper was kind enough to take time out of his busy schedule to come across town and sit down with the large gathering of First and Third World NGO's who had come to Berlin to attend the annual meeting and to lobby the delegates. During that meeting Mr.

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[*] See Appendix VI. for a discussion of the Organization Economic Co-operation and Development (OECD).

Hopper forcefully spoke of his reasons for opposing an EIA process within the Bank. His primary concern was that such documents become only "doorstops" and are written only after the decision is made to go forward with the project. In other words, EIA are huge documents that only satisfy the need for the ritual and do nothing to improve the quality of the project. Mr. Hopper is correct in his view that, if not properly managed, the EIA process can be an empty gesture. But that is not the way it has to be. The U.S. experience with NEPA clearly demonstrates the fallacy of his argument.

For the EIA process to be useful it must be undertaken at the earliest stages of the planning process and must be an open process which allows outside opinions to be taken into consideration, including borrower country environmental agencies and the NGO's.

The Congress has repeatedly called for the MDBs to supply more information on the environmental impacts of proposed loans. The Congressional requests has fallen on deaf ears at the Banks. This Committee has repeatedly directed the Treasury Department to assess the environmental impacts of proposed loans prior to casting the U.S. vote. This legislative direction has had little meaning, however, because Treasury has no way of forcing the MDBs to provide the needed information. Instead, we have to relay on AID's Early Warning System to search through the dust bins and back alleys of the Third World in an attempt to learn which proposed projects might have a negative impact on the environment and then to try and discover, through the cocktail circuit or whatever means are available, what those impact might be. This is clearly not an acceptable substitute for an environmental impact assessment.

Why should the U.S. Government be reduced to taking such extraordinary measures to evaluate proposed Bank loans when the headquarters for the largest multilateral, the World Bank, is located only a few blocks from Treasury? We all know the reason, of course. It is because the Bank's are not doing the job they should be doing in assessing the environmental impacts of their projects and sharing that information to all interested parties in the borrower and donor countries.

Access to Information - Sri Lanka: A Case Study:

The is another reason for pressing the MDB to provide an EIA on their loans. It is still almost impossible for NGOs in the borrower countries to gain access to information regarding the impacts of proposed Bank projects. Examples of this problem are legion. To amplify the seriousness of this problem I will give just one example. The Wildlife and Nature Protection Society of Sri Lanka (WNPS) has made a concerted effort to take part in the planning of the World Bank's proposed loan to implement that country's Forestry Master Plan (FMP). They have gone so far as to publish in 1988 a 75 page book on the subject.[1] This plan, according to Wildlife Society President Dr. Ranjen Fernando,

> "is only a plan for the complete exploitation of timber resources in this country during the next 13 years and is not a Forestry Plan as suggested by the nomenclature... [T]he proposed Master Plan views even the natural forests which are protected by the Department of Wild Life Conserva-

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[1] Forest Conservation and the Forestry Master Plan for Sri Lanka. A Review, edited by Ranjen Fernando & S.W. de a Samarasinghe, The Wildlife and Nature Protection Society of Sri Lanka, Colombo, Sri Lanka, 1988

> tion (DWLC) as under-utilized resources of logs and timber. To justify this proposal it has taken refuge in the nomenclature referred to as 'Wildlife Reserves' as identified by IUCN where it refers to 'Wildlife Reserves' as 'multiple use reserves.'"

The World Bank has been a supporter of the FMP since its early development and continues to assist with the preparation. If implemented, the plan could ultimately destroy the existing forests of the entire country. At the insistence of the Treasury Department a World Bank mission team visit the with the members of The Wildlife Society last year to discuss their concerns with the plan.

As a result of that meeting the Bank team realized the seriousness of the problems the Society was raising and, to its credit, asked IUCN to study the situation and submit a report to the Bank. The IUCN's findings and recommendations have ever been made public and repeated requests by the Wildlife Society and the Sierra Club to learn what was recommended by IUCN have been ignored by the World Bank.

Understandably, the Wildlife Society of Sri Lanka was concerned about just what the World Bank is doing since they had heard nothing more from the Bank since that meeting almost a year ago. I attach a copy of a letter from Dr. Fernando, dated October 18, 1988 in which the Society asks the leader of the World Bank's pre appraisal team on the Master Plan, Mr. O. Baykal, for some very specific information regarding the projected impacts of the Plan if implemented as proposed.

On October 28th a H.C. Brink, acting FAO Representative in Sri Lanka, responded to Dr. Fernando's letter by stating only that the "Forestry II Project Preparation Report has been submitted to the Ministry of Lands and Land Development and is in a confidential status awaiting finalization." (Letter attached) So much for working with NGOs! How does the Bank think it is going to involve NGOs in the project planning process if it will not even answer a few simple questions concerning a proposed project? At Dr. Fernando request, we wrote the World Bank on January 3, 1989, to see if we could get some answers to these questions. We received only silence in response.

In a surprise move the World Bank announced that a vote on the proposed Forestry Sector Development Project would be coming up in two days. At the urging of the Sierra Club, the Environmental Foundation of Sri Lanka and the Natural Resources Defense Council (NRDC) the U.S. Treasury Department requested and was granted a two day delay by the World Bank on the Forestry Sector Development Project vote.

With the assistance of the Treasury Department, the environmental representatives entered into discussions with the World Bank project staff over the terms and conditions of this loan.

Environmental support for the project hinged on the question of whether or not the Sri Lanka government would guarantee to not cut any forest land until an environmental assessment was completed.

This condition was important to the Sri Lanka environmentalists because the Forestry Sector Development loan, as originally drafted, would have allowed the government to immediately proceed with the clearing of forest lands without giving any further consideration to the protection of ecology important areas. Issues of critical importance such as watershed management, loss of species and genetic resources, impact on existing wildlife reserves and loss of aquatic habitat were totally ignored in the plan.

Knowing of the environmental concerns the Sri Lanka Government sent a cable to the World Bank promising to complete an environmental assessment before any cutting would begin. Government officials also promised the Bank officers, in a follow-up phone call, that they would use the newly passed EIA law which requires an examination of alternatives and provides for full public involvement in the planning process. The loan was subsequently approved with the U.S. Government's conditional support on June 16th.

The World Bank and Working With NGOs:

In a resent interview World Bank President, Barber Conable, had this to say on the subject of working with NGOs:

> "One of the most encouraging things in the business od development nowadays is the growth of indigenous NGOs in the Third World....many of these environmental and non-governmental organizations have been replicated recently in the Third World itself, and so we can deal with people where the projects are going on, and be sure that the governments with whom we deal in the Third World are having access to the same kinds of inputs that NGOs give to more developed governments. Ultimately, I think that's the answer -- to have uniform concern about the environment around the world, rather than concern in a few places in the developed world."[2] (copy attached)

We couldn't agree more with Mr. Conable. But we must ask again, how can Third World NGOs participate in Bank funded development projects if the Bank refuses to answer their questions regarding proposed project loans? Even a few simple questions by the Sir Lanka Wildlife Society about a proposed project that may turn their remaining tropical forests into tree farms go unanswered.

On April 22, 1988, Mr. Conable's number two man, Moeen A. Qureshi, Senior Vice President, Operation presented a paper[3] in which he makes the following observations:

> "the World Bank does not consider NGOs a distraction. We consider NGOs important coworkers with us in a common cause. In particular, they can help us 'learn from the grassroots.' ...many [NGOs] will not want to work with the World Bank or the projects we support. But the collaboration we offer cannot achieve quality results without the active, creative and critical involvement of many NGOs."

Again, we couldn't agree more. Good words are coming from the highest levels of the World Bank but, in our opinion, little else. That is why we decided to take the admittedly tough position that the Treasury must be required to issue an environmental impact assessment prior to voting on Bank projects. Without such a mandate we do not believe that the World Bank, and possibility the other MDBs, will institutionalize an environmental impact assessment process. I should mention, however, that we hear that the Asian Development Bank has now institutionalized an environmental assessment process for all of its projects. The EIAs are not released to the public but we consider it a major advance by the ADB to have set in place such a program. It just shows that it can be done, and it is not all that difficult if the will is there to do it.

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[2] "NGOs Championed by World Bank Chief," interview by Robert Walgate of Panos, Focus Magazine, date unknown.

[3] The World Bank and NGOs: New Approaches, Remarks by Moeen A. Qureshi, Senior Vice President, Operations, The World Bank, before the Society for International Development, Washington, D.C., April 22, 1988.

Speaking of mandates, we were very pleased to see the recent letter from Secretary Brady to Mr. Conable informing the World Bank that unless the Bank begins making "...environmental information on specific projects...publicly available on a regular basis, well in advance of Board review" the Treasury Department will have to...make the relevant documents available to the public if MDB policies have not been reformed by September 10, 1989."[4] This letter was prompted, of course, by the language in the FY 1989 Appropriations Committee Conference Report which directed Treasury to release all relevant documents unilaterally if the Banks do not improve their access to documents that "underlie or carry out country development plans, describe the design of proposed projects, and evaluate the effectiveness of completed projects."

We are still awaiting the Bank's response to Secretary Brady's letter. We also wonder just what the Treasury Department has in its position to release that will help the NGOs to become more involved in the project development process. Since the Bank do not produce any environmental analysis of their own we may find that Treasury and the public will still be left out in the cold.

The Need for an Environmental Assessment Process:

For the past five years this Subcommittee has been active in pressing the MDBs to reform their lending practices to protect the environment and the rights of indigenous people. This effort received a major boost through the Multilateral Investment Guarantee Agency (MIGA) legislation of 1987.[5]

I would like to call the Subcommittee's attention to Title XIII, Section 1303 of the legislation:

> Sec. 1303. (a)(1) In the course of reviewing assistance proposals of the multilateral development banks, the Administrator of the Agency for International Development, in consultation with the Secretary of the Treasury and the Secretary of State, shall ensure that other agencies and appropriate United States embassies and overseas missions of the Agency for International Development are instructed to analyze, where feasible, the environmental impacts of multilateral development loans well in advance of such loans' approval by the relevant institutions to determine whether the proposal will contribute to the sustainable development of the borrowing country.
>
> (2) To the extent possible, such reviews shall address the economic viability of the project, adverse impacts on the environment, natural resources, public health, and indigenous peoples, and recommendations as to measures, including alternatives, that could eliminate or mitigate adverse impacts

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[4] Letter from Treasury Secretary Nicholas F. Brady to World Bank President Barber B. Conable, March 1, 1989.

[5] H.R. 3750, the authorization bill for MIGA, was incorporated into the FY 1988 Continuing Resolution, H.J.R. 395, in December, 1987.

> (3) If there is reason to believe that any such loan is particularly likely to have substantial adverse impacts, the Administrator of the Agency for International Development, in consultation with the Secretary of the Treasury and the Secretary of State, shall ensure that an affirmative investigation of such impacts is undertaken in consultation with relevant federal agencies. If not classified under the national security system of classification, the information collected pursuant to this paragraph shall be made available to the public.

Through this law the Congress has already instructed the Treasury Department to carry out an environmental analysis of each MDB project which might have a major effect on the environment, public health and/or indigenous peoples. The difficulty is that Treasury often encounters difficulties in obtaining timely information concerning the probable impacts of proposed Bank projects directly from the MDBs prior to the time a project comes before the Board of Executive Directors. Treasury does rely on information that is supplied by the U.S. AID Early Warning System for Bank projects, but without direct project information from the Banks, and with the limited staff that Treasury has, this process often falls short of what most would consider to be an adequate environmental assessment.

Some of the Bank loan documents are available at the time the MDB Boards vote on projects, but consideration of these issues a scant two weeks prior to a vote is an insufficient period of time for environmental review. The Executive Directors also lack the staff to perform full-scale environmental assessments of projects.

The Pelosi bill is designed to ensure that environmental assessments, ideally prepared by the borrowing country government with assistance provided by the MDB, are conducted well before the consideration of a given project by an MDB Board of Executive Directors. The bill does not seek to impose a unilateral environmental assessment process, but suggests the utilization of certain models, including but not limited to the National Environmental Policy Act (NEPA) of the United States, and the goals and principles of Environmental Impact Assessment adopted by the Governing Council of the United Nations Environment Programme in June, 1987.

While the Bank has made some efforts, particularly in the area of staff training, to improve its organizational capacity for dealing with environmental issues, it has yet to implement several of the most basic environmental reforms sought by this Subcommittee and approved by the 44 signatories to the replenishment agreement. These reforms must include increased environmental staffing, the creation of a new environmental unit, increased investment in environmentally beneficial projects, and the development of a better monitoring procedure for Bank projects. The development and implementation of an effective policy to insure systematic involvement and participation of NGOs in IDB operations is also on the list of necessary reforms.

The Bank needs to demonstrate how it intends to improve its monitoring of existing Bank projects, and its commitment to increased investment in environmentally beneficial projects.

Appendix II.

Wildlands Inventory:

The Sierra Club has been working with the World Bank over the past year or so on mapping the remaining wildlands in the world. This information has now been compiled and digitalized on the World Bank's computers.

The Club undertook this effort because the clock is running quickly on the remaining wild places on the planet earth. The momentum of development threatens to overwhelm much of the remaining wildness within a score of years. Many ingredients go into decisions on what should be developed and what should be saved, but no rational decisions can be made without information about what remains wild and natural.

Quite surprisingly little systematic information is available of this sort. Most of the inventories which have been done focus on areas that have already been designated as Protected Areas (e.g., National Parks). Most field inventories concentrate on identifying the ranges of various species, not large areas of habitat which in a de facto sense are still wild. Most scientists who might have an interest in such inventories would design research programs for this purpose that would be quite expensive and take years to complete.

But there is so little time. Mammoth areas of the Amazon are being burned and cleared within only a few years, and the same in happening in Borneo as well as many other African countries.

The Sierra Club has developed a research approach which in a years time produced the first World Wilderness Inventory, in cooperation with the World Bank. This approach focuses on identifying large and important tracts of land with wilderness (or other) characteristics. It derives its data from examination of map series which show appropriate detail on a uniform basis for all parts of the world. For the World Wilderness Inventory, it used Jet Navigation Charts of the U.S. Defense Mapping Agency. These charts were ideally suited to this inquiry because they show increasing levels of detail on human development as areas become more remote. Charts were used at scales of 1:1 million and 1:2 million. The tracts identified were first recorded on the maps and then digitized and are available on tape. They can be used in geographic information systems (GIS). The initial findings have been distributed to park agencies and environmental groups in all of the affected countries to be checked for accuracy in light of their field knowledge.

This inventory found that about one-third of the land area of the world still appears to be wilderness, but most of this is in the high arctic or is in desert regions. Only 9 percent of the remaining wilderness is in the tropics; 20 percent is in the temperate regions.

The technique we have developed enables us to produce a good first approximation of an accurate inventory based upon readily available data sources. The orders of magnitude appear to be reasonable and field checking in Kenya and Tanzania suggests a fairly good fit with known facts. Moreover, the approach anticipates further refinement as more information becomes available. It invites cooperation in carrying the project forward.

We are convinced that this approach can be applied to other natural values, particularly those that reflect the general condition of land and not specific aggregations of species. Our approach also allows us to coordinate our findings with data in biogeographical information systems (e.g., comparing our boundaries with biomes and provinces). This was done extensively in the paper we prepared on the World Wilderness Inventory. That paper is being published, incidentally, in the proceedings of the Fourth World Wilderness Congress and is being considered for publication by other journals too. Because of coverage in SIERRA magazine, requests for information on the project are being received from around the world.

The World Bank now has the World Wilderness Inventory in their computers and it is ready for use by its project officers. This information is both timely and vital since the Bank has adopted a wildlands policy which commits the Bank to not fund projects that would needlessly destroy the remaining wildlands in the Third World.[*] However, the Bank's Environmental Department has told us that they are not willing to allow this data be made available to the project staff. This development is indeed a major disappointment to use and does leads one to wonder just how committed the Bank is to its Wildlands Policy?

How can the World Bank on the one hand claim to be environmentally more sensitive and on the other hand refuse to use the very data which would enable it to avoid destroying environmentally sensitive areas?

The Club is currently seeking the funds to continue our work in developing global inventories of a similar nature. We propose to do this over a three year period. We have a number of very specific aims in pursuance of this goal:

(1) to develop an increasingly accurate data base on wilderness tracts around the world;

(2) to complete inventories of at least four other types of natural values using our methodology;

(3) to provide development assistance agencies with the tools at high management levels to determine whether their loans and grants impinge upon inventoried areas and conform to their environmental policies; and to assist them in understanding the global environmental context of their work;

(4) and to build communication links with interested individuals and groups around the world who may be encouraged to pursue protection of appropriate areas. They can be aided in seeing the importance of their work in a global context.

These inventories will also: help define what is still possible in terms of protecting significant natural areas; draw attention to the plight of nature; and encourage national park agencies and environmental groups to focus on which identified areas are most worthy of being saved and to mount campaigns to save them.

We would not think it inappropriate for this Committee to recommend to the MDBs and to AID that such information be integrated into their decision making process. At the risk of saying the obvious: we can't hope to save our remaining global natural areas if we don't even know where they are.

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[*] Wildlands, Their Protection and Management in Economic Development, by George Ledec and Robert Goodland, World Bank, 1988.

Appendix III.

The Inter-American Development Bank

Positive steps the Bank has already taken:

One of the most positive steps taken by the IDB with respect to the environment was the selection of Enrique Iglesias as Bank President in April, 1988. Mr. Iglesias' experience in environmental issues is well known. During his 13 months in office he has outlined a positive role for the Bank on environmental issues. His willingness to discuss these issues with member governments and NGOs in developed and developing countries of the Bank is appreciated.

The atmosphere within the IDB has changed over the past year and knowing something about environmental issues is now seen as a good way to advance one's career in that institution. To build on that interest, the Bank has made a concerted effort to provide training, particularly for staff in the Operations Department. Approximately 80% of the staff of this Department attended environmental training seminars held this past year.

The Bank has also made an effort to integrate environmental issues into its country programming activities, wherein long-term investment strategies for individual borrowers are developed.

The Bank has initiated a country environmental profile for Uruguay, and is in the process of approving profiles for several other countries in the region. Information from these profiles will be used to help define the long-term project for the Bank's borrowers.

In certain instances, the Bank has also proven to be more receptive to the involvement of non-governmental organizations both before and after project approval. In the case of Bolivia, interaction with NGOs has resulted in a set of social and environmental loan components that will help mitigate the impact of a Bank-financed road in that country.

Environmental reforms yet to be carried out:

For the past several years, non-governmental organizations in the developed and developing countries of the Bank have listed the major environmental reforms the IDB must undertake if it is to play a positive role in promoting sustainable development. This reform agenda has been incorporated into legislation endorsed by this and other Congressional Committees, and it has served as a blueprint for action by the U.S. Treasury Department and the U.S. Executive Director to the IDB.

Recently, there has been growing support for these reforms from other governments who are members of the Bank. In some instances, as will be described below, even Bank management has called for these reforms. Despite the widespread support for environmental reform within the Bank, most of these reforms have not been carried out.

Increased environmental staffing:

A good case in point is the need for increased staff trained in environmental fields. This has been one of the major reform priorities of the Congress for several years, and the U.S. Department of the Treasury has also been active, along with the U.S. Executive Director to the IDB, in calling for increased environmental staff. The replenishment agreement, which has been endorsed by all 44 member governments of the Bank, also supports the need for increased environmental staff, by stating that the Bank is expected to, "...expand its core group of experts, [and] assign specialized personnel to its Field Offices..."

The Executive Vice President of the IDB, James Conrow, states that within the Bank's reorganization, "...the Bank intends to give greater emphasis to environmental issues, including the hiring of more environmental staff."

The expected hiring of a core group of environmental experts within the IDB has not materialized. While this may be largely a matter of timing, it is disturbing to read the Work Program of the Bank's Environmental Management Committee for 1989-1990 which indicates that, "...proper execution of the Program will require a modest [emphasis added] effort on the part of the Bank in terms of human and financial resources."[7] The Work Program's call for an inventory of existing staff to determine their environmental qualifications also raises the possibility that the Bank will not bring in outside experts, but will somehow retrain existing Bank staff to become environmental specialists.

The new environmental agenda of the Bank is impressive, but cannot be carried out without a significant increase in environmentally trained staff. The Bank should announce a timetable by which it plans to expand its core group of environmental experts, including making some of these positions available in the Bank's field offices.

The need for a new environmental unit:

The call for increased environmental staff also raises questions about the adequacy of the Bank's Environmental Management Committee (CMA), and the need for an environmental unit within the IDB.

The CMA is comprised of the senior managers of the Bank. It is responsible for ensuring that environmental issues associated with Bank-financed projects are addressed, and it establishes the environmental work program of the Bank. While notable for integrating senior managers into the environmental work of the Bank, the CMA cannot count on these managers, most of whom are fully occupied with other responsibilities within the Bank, for the day-to-day management of environmental matters. This is especially important given the likelihood of an increased environmental staff within the Bank.

Senior managers in the Bank are best qualified to discuss the thorny political issues that sometimes arise in specific Bank projects; thus the CMA should be retained for this important purpose. The technical side of environmental issues should, however, be vested in a new environmental unit that has the responsibility for those aspects of the daily management of Bank work, and for the coordination of the Bank's increased environmental staff.

In testimony before this Subcommittee on May 24, 1989, Under Secretary of the Treasury for International Affairs David Mulford indicated that an environmental unit would be added to the IDB as part of the IDB Seventh Replenishment agreement. Informal conversations with Bank staff indicate that a similar expectation exists within that institution.

Nevertheless, Bank President Iglesias has not called for the creation of such a unit. The result, despite Mr. Iglesias' best intentions for the future activities of the Bank, is a sense of disarray with respect to the current environmental work of the IDB. To be sure, the Bank is just now completing the first phase of its reorganization, and there has been an almost total overhaul of the senior management of the Bank. But the longer the Bank continues its work without an adequate pool of environmental staff, and without an environmental unit, the more difficult it will be for the IDB to move ahead with its new environmental agenda.

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[7] Environmental Management Work Program for the Period 1989-1990, p. 3.

Increased investment in environmentally beneficial projects:

Another area of improvement needed in the Bank's activities is increased investment in environmentally beneficial projects. Language in the replenishment agreement which suggests, "New fields of investment for the protection and rational utilization of natural resources," demonstrates widespread support for this type of initiative. In his statement during the recent Consultative Meeting on the Environment, Bank President Iglesias endorsed the idea of increased Bank financing for environmentally beneficial projects and proposed an environmental fund in the Bank to finance such projects.

This is an important initiative and one that can be implemented effectively in Bank lending to the power sector. In the past, Bank lending for this sector has concentrated almost exclusively on energy production, while little has been done in the area of energy conservation and efficiency improvements. In fact, the Bank's most recent Annual Report observes that, "Many of the current problems in the power sector are derived from the massive flow of investment into additional electricity generation and oil exploration and production in the 1970s and 1980s."[8]

Stated differently, it now appears to be more effective economically and environmentally to increase Bank investment in energy conservation and efficiency, rather than to continue promoting increased production in the power sector. One particularly interesting initiative has been proposed by Alvaro Umana, the Secretary of Natural Resources, Mines and Energy in Costa Rica, who calls for a regional investment in energy conservation and efficiency in Central America. According to Umana:

> The program offers impressive benefits: there is a potential to reduce energy investment requirements in power generation by one-third. Furthermore, by decreasing energy use, energy conservation reduces energy production requirements, which mitigates the negative environmental impacts of development and production. Reducing the need for new power plants while assuring an adequate supply of electricity services will go a long way toward enabling a positive, consensual approach to environmental management in the energy sector.[9]

The Umana proposal is just one example of an environmentally beneficial project that can satisfy both economic and environmental objectives. One would expect to see an increased share of Bank financing for this type of project not only in the power sector, but in the other sectors receiving Bank financing. President Iglesias' concept of an environmental fund within the Bank is an interesting initiative that should be supported by the Bank's member governments.

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[8] 1988 IDB Annual Report, p. 15.

[9] "Proposal for a Central American Power Efficiency Program", informal paper presented by Alvaro Umana, May, 1989, p.1.

Improved monitoring of Bank financed projects:

The Environmental Work Program prepared by the CMA points out that monitoring of projects is "based on various periodic, progress and special reports prepared by the field offices or the borrowers, together with the reports of special missions from Headquarters." [10]

Experience suggests that another important factor in the monitoring of Bank-financed projects is information the Bank receives from outside organizations. This, more than anything else, has resulted in Bank special missions to Brazil, Bolivia, and Venezuela in the past several months. Unfortunately, by the time outside organizations can evaluate the impact of projects the Bank has financed, a great deal of damage has already been done.

In Uruguay, where the Bank has made much of its current environmental profile, an irrigation project the Bank approved in 1987 is responsible for encouraging the destruction of ecologically and economically valuable wetlands known as, "Los Banados del Este". The original bank document argues that the project will have no environmental impact, yet the drainage associated with the IDB financing will continue to promote the destruction of large areas of this site. The U.S. is, incidentally, a signatory to two agreements which are designed to protect this area: the Convention on Wetlands of International Importance (RAMSAR Convention) and the Biosphere Reserve Program in the UNESCO Man and the Biosphere Program.

Part of the problem here is the process by which the Bank identifies projects that may be environmentally troublesome. Under the current system, the Bank identifies projects having "Significant Environmental Impacts (SEI)". SEI projects are reviewed by the CMA and more often than not provisions are added to the loan designed to mitigate these impacts.

Somehow, the Uruguayan project escaped attention and, as a result, the environmental impact of the project remained unattended to until Uruguayan environmentalists sounded the alarm.

In Cuenca, Ecuador, environmental provisions were added to a project which involved road construction in a National Recreation Area. Since that time, problems with implementation of the environmental loan components have been brought to the attention of Bank staff on several occasions, and the Bank and the Ministry of Public Works sponsored a meeting in Cuenca last March to discuss the project with local conservation NGOs. Nevertheless, the basic problems associated with the project still have not been addressed.

For example, the office charged with implementing the environmental provisions of the loan has only one full-time staff member. To make matters worse, this same office has been assigned other duties related to Ministry of Public Works activities.

In addition to problems with this office, major sections of the road are being rerouted in areas which are still forested, with no prior environmental impact assessment. In fact, the overall environmental assessment for the project itself will not be completed until work on the project has concluded.

In light of all this, Tierra Viva-Cuenca, a local environmental group active in monitoring the project, has called for a suspension of road construction until a plan is developed, with community participation, for mitigation of the environmental impact of the road. The group also asks for an improvement in the operations of the office set up to monitor the implementation of the project's loan conditions. A copy of Tierra Viva's recent letter to me on this subject is attached.

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[10] Environmental Management Work Program for the Period 1989-1990, p.5.

In certain cases, after a great deal of prodding, the IDB has played an effective role in monitoring the environmental impact of projects it has already approved. The Acre loan in Brazil is a good example of what the Bank can do once it sets its mind to it.

At the same time, in many other projects Bank monitoring of environmental impacts is inadequate. Some of these projects are not monitored because they are not considered projects with "Significant Environmental Impact." Others are not monitored due to the disinterest of local IDB staff, or for other reasons.

Before the Bank implements future environmental initiatives it should first review previously approved projects to determine if adequate environmental safeguards were added. An examination should also be made of how projects come to be identified as having a "Significant Environmental Impact." Finally, as part of its deliberations about an environmental unit and the hiring of more environmental staff, the Bank should consider ways to strengthen its current monitoring activities. The goal of these initiatives should be to enhance the Bank's own ability to monitor the environmental impact of its projects, whether or not they are labelled as having "significant" impact.

Increased participation of non-governmental organizations in Bank activities:

When the subject of increased NGO participation in IDB activities is raised, it may result in a discussion of how NGOs can enjoy greater access to Bank contracts, and in some cases how they can receive direct financing for projects. But there are more basic elements of the relationship between the IDB and conservation NGOs; these pertain to a wide variety of groups who are directly affected by Bank projects, or who are interested in the environmental and social impact of Bank lending.

These basic elements include the availability of information to NGOs, especially those directly affected by Bank projects, and the assurance that these groups can participate at the earliest stages in decisions their governments make about IDB loans.

Bank-NGO relations were the subject of much debate at the Second Consultative Meeting on the Environment held by the Bank during May 24-26, 1989. One should note that during the First Consultative Meeting in 1987 developing country NGOs were considered "observers" and permitted only to raise questions from the floor during specified time periods. This year, however, developing country NGOs were treated as full participants and engaged in direct discussions with their governmental counterparts throughout the meeting. The Bank deserves credit for structuring the meeting in this fashion, and empowering local NGOs in the process. In future meetings, it is hoped that Bank staff also will play a more active role.

Discussion during the Consultative Meeting focused on the Bank's emerging policy document on Bank-NGO relations. As many members of this Subcommittee are aware, improved relations between multilateral banks and NGOs has been one of the highest priorities on the environmental reform agenda, and a call for improved Bank-NGO relations was included in legislation passed by this Subcommittee in 1987.

The draft NGO policy document that was discussed at the Consultative Meeting contains a number of well defined and far reaching initiatives which, if implemented, would place the IDB in the forefront of development institutions seeking better relations with NGOs. Many of these initiatives, such as the provision of more information to people affected by Bank projects, and the willingness of the Bank to hold briefings on specific topics related to Bank policies and projects under consideration, received widespread support from the developing country NGOs attending the recent Consultative Meeting.

Unfortunately, the document contains few specific mechanisms by means of which these new initiatives can be carried out. In addition, the document mentions the need for an action plan for implementation of the new policy but there is no timetable for completion of this action plan or for its implementation.

Finally, the text of the document does not present the new policy as "standard operating procedure" to be applied across the board in all Bank loans. The current document reads, "...ultimately national governments determine the scope and form of direct participation of NGOs in the projects financed by the Bank." This could be interpreted to mean that the Bank supports only a selective application of its new NGO policy.

At the highest levels, the Bank has made a rhetorical commitment to seek better relations with NGOs and local people. IDB Executive Vice President James Conrow has said, "Local people and beneficiaries must have an active voice in the decisions which will affect their lives. Successful development must be participatory."[11]

However, to ensure effective implementation of this approach, the Bank must consider the participation of NGOs and local people as a standard operating procedure in each loan it approves. In the words of Monsignor Roque Adames, an NGO participant at the Consultative Meeting, the Bank should, "make participation by the people a prerequisite for the provision of financing."[12]

With respect to its current NGO policy document, the Bank should establish a deadline for approving and executing an effective action plan. To ensure the success of its new initiatives, the Bank should heed the suggestion made by several developing country NGOs at the Consultative Meeting and immediately convene meetings between the Bank's local representatives and developing country NGOs to discuss this document in greater detail. The Bank should describe with greater specificity the kind of information it is prepared to provide to NGOs and people directly affected by Bank projects.

Environmental reforms the Bank has neglected to consider:

There are two important reforms the Bank has neglected to consider, but which will be of increasing importance as the Bank begins to undertake non-project lending.

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[11] Remarks by James W. Conrow before the Second Consultative Environmental Meeting of the IDB, May 24, 1989, p. 2.

[12] Msr. Roque Adames, "The Environmental NGOs of the Central American Isthmus and the Caribbean Islands," a paper delivered before the Second Consultative Environmental Meeting of the IDB, May 24, 1989, p. 8.

1. Policies on indigenous people and investment in wildlands:

President Iglesias has indicated on several occasions his desire for the Bank to give special attention to the indigenous people of Latin America and the Caribbean during project planning and implementation. Despite his best intentions, the Bank has yet to develop an internal policy on its relations with indigenous people. This type of policy will not, by itself, ensure greater protection for the rights and welfare of indigenous people in Bank projects, but it will allow Bank staff a greater understanding of their role in addressing these concerns.

The Bank has yet to develop a policy governing investments in wildlands. Investment in these areas of great ecological significance, or of great fragility, must be considered separately from normal Bank operations, and special rules should govern the selection, design, and implementation of projects in these areas.

A call for adoption of policies of this type is not new, and was included in Congressional legislation as well as in a number of non-governmental statements over the past few years. Though there have been several problems with implementation, the World Bank has already adopted similar policies concerning indigenous people and investment in wildlands. The development of these policies by the IDB is a vital step toward improving its performance in this regard. The policies will be especially critical as the Bank moves toward more non-project lending, which for the first two years must be financed in tandem with the World Bank.

2. Adoption of standard environmental assessment procedures for all Bank projects:

Currently, projects deemed to have "Significant Environmental Impact" receive special attention by the Environmental Management Committee. However, questions have been raised about the process by which these designations are made, and the extent to which the current Committee, as currently constituted, can follow through on them.

What the Bank lacks is an effective procedure by which to analyze the potential environmental impact of all the loans it finances. This is one reason why the Bank's Second Working Group on the Environment recommended an analysis of, "...the advisability of adopting in the Bank an environmental impact assessment model, based on the preliminary note drafted by the United Nations Environment Programme."[13]

An environmental impact assessment model would be useful to the Bank, and it need not result in the wholesale replication of the NEPA procedures we use in this country. The important ingredients of any such model are a discussion of alternatives to the proposed project, consideration of mitigation measures when applicable, and public participation in the process of decision-making. The goal of adopting impact assessment procedures is to encourage the borrowing countries of the Bank to perform the assessments themselves, with the Bank assuring that correct criteria are established, and the assessments are completed satisfactorily. If consultants are hired to perform these assessments, special preference should be given to consultants from the developing countries.

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[13] Report of Working Group 2, 1987-1988 Environmental Work Program, p. 8.

Appendix IV.

African Development Bank:

I would like to note that one good thing has already come about as a result of our working with the Bank's senior staff on the development of this project. Mr. Babacar N'Diaye has recently taken steps to ensure that a pending loan to Cote d'Ivore to construct a new road does not adversely impact one the few remaining elephant ranges in that country. However, rerouting the road will lengthen the road by at least 16 km. This mitigation measure would be costly even for a relatively affluent developing such as the Cote d'Ivore.

Mr. N'Diaye has suggested that the road project might become an early trial use of his concept of "environmental bonds." Environmental bonds would be financial instruments designed to maintain and restore Africa's natural resources. Such bonds could be generated through "swaps" for debt owed by African governments either to private commercial banks or to First World governments. The growing interest in dept forgiveness by Secretary Brady gives us hope that a debt-for-nature swap policy may soon be adopted by this country. However, as of yet we have received no sign from the Treasury Department that debt relief could include debt-for-nature swaps.

Early in the development of the NGO Outreach Project, President N'Diaye asked us to use the project's year long dialogue involving governments and NGOs of five African countries to stimulate discussion about debt reinvestment proposals. ("Debt reinvestment" means linkage through environmental bonds of forgiveness of foreign exchange debt for investments of local currency in sustainable development of natural resources.) President N'Diaye's action reflects the need for a multilateral institution, such as the AfDB, to play a role in facilitating multi-party policy dialogue. He also recognizes the need to ensure that local communities, through their NGO's, participate in building a consensus about how best to seize this one time opportunity to reinvest foreign debts in sustainable development.

Appendix V.

International Family Planning:

Five billion people are now living on this planet, and birth rates are at high levels in many developing nations. Unchecked population growth has a deleterious impact on families and communities as well as on their environments and economies. At the same time, however, the Reagan Administration has drastically pulled back its assistance, especially to multilateral and non-profit organizations who are most effective in carrying out effective family planning projects.

We ask that you support funding at least at last year's levels for international population assistance and support any initiatives to shore up U.S. support in this area.

As background, let me point out that Africa has the world's highest population growth rate of 3.1 percent, up from 2.5 percent in the 1960's. That's three times the annual increase in food production, which could make even the most ardent proponent of the green revolution to pause. At current growth rates, virtually all sub-Saharan countries will double their populations by 2010.

Still, there are signs of change. African governments are increasingly supportive of family planning. Contraceptive use is at the 25 percent level in the few places family planning services are readily available; continent-wide, the rate is a mere 4 percent. Encouraging these changes requires resources which is provided under this legislation.

Appendix VI.

The Organization Economic Co-operation and Development (OECD).

Recently Mr. Joseph Wheeler, the Chairman of the Development Assistance Committee, presented a status report on the progress OECD is making in getting the bilateral donor countries to pay more attention to the environmental impacts of their development loans to the Third World.[14]

In his paper Mr. Wheeler reported that

> "the OECD Council, pursuant to an American initiative in the Environment Committee, has just approved a checklist for decision-makers in both bilateral and multilateral aid organizations which should be helpful in keeping environmental considerations in the forefront as aid agencies consider whether to finance projects and how they should be designed. The DAC is meeting in June to consider its future work on the environment.
>
> "While the OECD donors are making significant progress, they have much more to do. Donors need to improve their environmental impact analysis. Donors need to finance more environmentally positive projects in areas such as forestry, soils, and water. They need to help developing countries strengthen Environmental planning and information would be just two examples."

We agree with Mr. Wheeler that a environmental check-list is hardly a substitute for an environmental analysis process. But it is a start for which we are very pleased. We are pleased to see the U.S. delegation has been at the forefront in pressing the members of the OECD for better environmental management of their projects.

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[14] Address of Joseph C. Wheeler, Chairman, Development Assistance Committee, OECD, to the World Resources Institute luncheon, April 3, 1989.

18.10. 88.

Our Ref.No. [illegible]/3/39.

Mr. O. [illegible],
Leader of the World Bank Pre appraisal
Team on Forestry Master Plan for Sri Lanka,
C/O World Bank,
1818 H Street N.W.,
Washington DC 20433,
U.S.A.

Dear Mr. [illegible],

Forestry Master Plan for Sri Lanka

You will undoubtedly recall the meeting that you and the other members of your mission, had with us during your stay in Sri Lanka in June.

Subsequently I had occasion to meet Mr. K. Piddington- Director Environment - World Bank and we discussed several aspects of this Plan.

I am informed that you would be able to respond to any specific questions in pursuance of the several submissions that we made in respect of this Plan.

I shall be most grateful if you would enlighten us on the undermentioned matters:-

a) The timber availability as detailed on Page 30 Table 4-4 and Page 50 - Table 7-1 were disputed on account of unrealistic, and highly exaggerated values of non-available natural forests. What are observations made by the Mission in this respect?

b) Non-identification of areas ear-marked for logging was pointed out. Consequently the environmental impact of logging such envisaged areas could not be assessed.

What are the observations and recommendation made by the Mission on this issue?

c) It was pointed out that 1.5. million hectares of natural forest ear-marked for exploitation could be substituted with 36,000 hectares of fuel-wood plantation.

Did the mission find this proposal economically feasible on a long-term basis and/or practically implementable?

d) You would recall mentioning that wildlife management was not considered in the plan as it was assumed that all areas of significance to wildlife conservation had been left out of the proposed Plan, but it was submitted that i) Watershed management , ii) Water quality and iii) Wildlife Management has been very sparsely committed to in the proposed Master Plan.

. Has the mission found our submission justified and if so what remedial action does it propose?

I trust that the Banks commitment to ensure incorporation of environmental safeguards in their funding programmes and positive response to active N.G.O. participation, as explained by Mr. Piddington would enable me to expect a favourable reply to these queries.

Thanking you,

Yours sincerely,

Dr. Ranjen Fernando,
President - W.N.P.S.

CC: I. Kenneth Piddington - Director
II. Resident Representative - World Bank
Colombo.

[LETTER FROM H.C. BRINK, FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS]

28 October 1988

Dear Dr. Fernando,

FAO/World Bank Forestry II Project Preparation Mission

I am in receipt of your letter (reference WNPS/D/39) of 18 October 1988 on the above subject. The report you refer to was prepared by the FAO/World Bank Cooperative Programme mission under Mr. P. Kidane's leadership, which was a preparation report for a Second Forestry Project for World Bank assistance with possible participation of other donors.

The Forestry Master Plan to which you also refer was drafted with the assistance of the Finnish Government and was finalized by the Forest Department of the Ministry of Lands and Land Development.

The Forestry II Project Preparation Report has been submitted to the Ministry of Lands and Land Development and is in a confidential status awaiting finalization.

Yours sincerely,

H.C. Brink
Actg. FAO Representative

NGO'S Championed by World Bank Chief

Barber Conable has been president of the World Bank for nearly 2 years. Here, in an interview with Robert Walgate of Panos, he gives his views on the role of Southern NGO's.

"One of the most encouraging things in the business of development nowadays is the growth of indigenous NGO's in the Third World. It used to be that if you wanted to talk with someone about unofficial action in areas like the environment, you had to talk with someone in London, or New York, or Toronto -- and in fact in many cases they were not very well informed about the areas where we were conducting our operations.

However, many of these environmental and nongovernmental organisations have been replicated recently in the Third World itself, and so we can deal with people where the projects are going on, and be sure that the governments with whom we deal in the Third World are having access to the same kinds of inputs that NGO's give to more developed governments. Ultimately, I think that's the answer -- to have uniform concern about the environment around the world, rather than concern in a few places in the developed world.

You must understand that the projects (which we support) are not World Bank projects: they are government projects conducted by the host with Bank financing. Now, we can impose a certain amount of conditionality in the financing, but ultimately we do not consider ourselves neo-colonialists: we do not believe we should substitute our judgement for the judgement of the duly elected representatives of the people in those countries.

That's why it's so encouraging to find the development of NGO's that will be able to put direct democratic pressure on the host governments, so that we are not having to intrude our values from the outside.

That is a matter of concern at the highest level in the World Bank -- I'm speaking for the management when I say that.... I would urge NGO's, people concerned about Bank policies, to contact the Bank's representatives -- and I have instructed these people to be sensitive to the NGO's. They can be eyes and ears for us in the proper implementation of sustainable development policies."

[LETTER FROM THE SECRETARY OF THE TREASURY, NICHOLAS F. BRADY]

Mr. Barber B. Conable
President
The World Bank
Washington, DC 20433

March 1, 1989

Dear Barber:

Access to information about the World Bank's projects and programs has become an important issue for environmental and poverty groups in the United States, Canada, and other countries.

In my remarks at the Development Committee Meeting in Berlin last September, I indicated that public access to such information needed to be improved. The FY 1989 Appropriations Committee Conference Report said that public access to MDB documents has been unnecessarily restrained. The conferees directed the Secretary of the Treasury to make the relevant Bank documents available to the public if MDB policies have not been reformed by September 30, 1989. The report specifically requested access to documents that "underlie or carry out country development plans, describe the design of proposed projects, and evaluate the effectiveness of completed projects."

As you know, the Minister of Finance of Canada has proposed a four-point program to enhance support for sustainable development. As part of that proposal, the Government of Canada has asked for disclosure of more information about the environmental aspects of World Bank loans and has held discussions with other member governments about how this might be done.

Treasury staff have raised this issue with members of your staff. We have also discussed it with representatives from other member governments. There is general agreement that the issue needs to be addressed and various proposals are now being considered.

We strongly recommend that the Bank consider ways that environmental information on specific projects may be made publicly available on a regular basis, well in advance of Board review. The Bank should also consider how to make available after Board consideration environmental analyses contained in Board documents.

I hope that the World Bank will consider providing more information on Bank operations to the public in order to promote wider understanding of its role and activities.

Sincerely,

Nick

Nicholas F. Brady

Fact Sheet on The NGO Outreach Project

A cooperative effort of the

African Development Bank

and three U.S. Environmental Organizations:

The Sierra Club,
American Farmland Trust &
The Natural Resources Defense Council

In recent years the African Development Bank has grown more concerned about the environmental consequences of its project activity. The President of the African Development Bank, Mr. **Babacar N'Diaye**, has made clear in a number of speeches that the Bank intends to take into account environmental factors. Consequently the African Development Bank and three U.S. environmental organizations are working in an unprecedented partnership to bring new social and economic resources to bear on the environmental problems of Africa. The agreement will explore ways *African* community development NGO's can play a larger role in Bank projects. The Project scope has been expanded to respond to the call of President N'Diaye for a program to convert publicly held debt into "environmental bonds." By addressing these two needs the Project will move environmental issues into the mainstream of political and economic decision making in Africa.

Project Goals

The long-term goal of the NGO Outreach Project is mobilizing African manpower and financial resources on a scale equal to the environmental problems threatening the economic, social, political and resource stability of Africa. The strategy is to go right to the heart of the problem in the continent where there is the greatest need and the least time to find workable solutions. The Project aims to:

- *Help developing country institutions create their own solutions to environmental problems;*
- *Put resource conservation at the center of poverty alleviation;*
- *Bring successful community development NGO's into an active role in tackling environmental problems;*
- *Bridge between the grassroots & policy makers;*
- *Help U.S. environmental groups to understand the South's point of view; and*
- *Link debt relief to investments in resource management.*

The NGO Outreach Project will advance these aims by helping the premier development institution in Africa, the African Development Bank, become a leader in devising and implementing innovative and environmentally sound approaches to development and in proposing ways to use debt relief for environmental purposes.

Project Approach to Public Debt Relief

The NGO Outreach Project will develop workable mechanisms to convert publicly held debt to investments in natural resource conservation, reclamation, and sustainable use. The NGO Outreach Project will work toward this goal, which is supported by many creditor countries, by helping the African Development Bank build effective relationships with non-governmental development organizations (NGDO's) of five African countries.

These relationships created by this project will provide the foundation for cooperation between the African Development Bank, NGDO's and member governments for a trial effort to convert debt owed to the U.S. and other creditor countries into "environmental bonds." These bonds would be a financial instrument reflecting the African Development Bank's concept of turning debt into investments in the environment. The year long effort will provide the opportunity to reach consensus on: the nature of the financial instrument; how the African Development Bank could facilitate the bonds; how to test the bonds concept in a trial program in a few countries drawn from the five; and what could be the roles for African NGO's—both in developing projects using the bonds and in monitoring the progress of bond-financed projects and activities.

The U.S. environmental organizations are working to help set up this year long dialogue and to build support in the U.S. public and in both the Executive and Legislative branches of the U.S. Government for the African Development Bank's approach to debt relief.

What the Project aims to achieve

The African Development Bank is without question the most influential *African* institution in guiding African nations on policies regarding natural resources conservation and sustainable use.

The NGO Outreach Project takes the most realistic approach by helping the African Development Bank become the center of a coalition of African forces desiring innovation. The regional multilateral development banks (MDB's) are an appropriate arena for building a coalition because they are almost invariably involved in financing projects in the environmentally critical sectors of forestry, energy, agriculture, and rural development.

The NGO Outreach Project is an extraordinary opportunity for environmental groups to work with the top management of an MDB. If the Project successfully demonstrates how public debt can be converted into investments in resource conservation, then the potential scope for financing environmentally beneficial projects is enormous.

African countries owe the U.S. Government approximately $4 billion and European governments approximately $10 billion. Unlike the debt of Latin American and Asian countries, by far the largest amount of African cross border debt is owed to governments and MDB's, not private commercial banks. *Thus experience being gained in those regions with debt for equity swaps, all of which involve purchase of private commercial bank debt, will offer few benefits for Africa.*

Why the Partnership was formed

Since 1980 the U.S. environmental groups have been pressing the MDB's to pay more attention to environmental concerns. The groups' success reflects not only the legitimacy of their arguments but also the effectiveness of their participation in public policy dialogue. With the NGO Outreach Project, their effort moves beyond debating policy to working cooperatively with an MDB.

In January 1988, Mr. **T. Gedamu**, the African Development Bank's Vice President, Central Operations, invited representatives of the three U.S. groups to come to Abidjan to explore how the African Development Bank might start a consultative process on the environment with non-governmental organizations and governments.

This proposed effort is based on a shared interest in seeing more investment in "sustainable" development. The African Development Bank, in a phase of reëvaluation and growth, has made a major commitment to environmental initiatives by: deciding to undertake the NGO Outreach Project, appointing an African national as head of its environmental unit, and appointing Prof. **Edward S. Ayensu**, a Ghanaian national and a leading environmentalist, as a Senior Advisor to the President of the African Development Bank.

The President of the African Development Bank, Mr. **Babacar N'Diaye**, has declared support for sustainable uses of natural resources a high priority. At the same time Bank staff realize that NGDO's must play a larger role in future Bank projects. These two interests lie at the root of the African Development Bank's support for the NGO Outreach Project. The African Development Bank hopes this project will develop models for innovative approaches to sustainable development involving greater use of NGO's in project design and implementation.

The U.S. environmental groups are moving beyond their role as critics of MDB performance to a role as partners in developing a policy dialogue which includes a continuing and well-articulated input from the non-governmental sector of African countries. The NGO Outreach Project will begin this process and will ensure that it reflects an African perspective and articulates a truly African point of view on both regional and global environmental issues. The U.S. groups will benefit by gaining much needed insight into how Africans view environmental problems and what African institutions consider to be workable approaches involving the non-governmental sector.

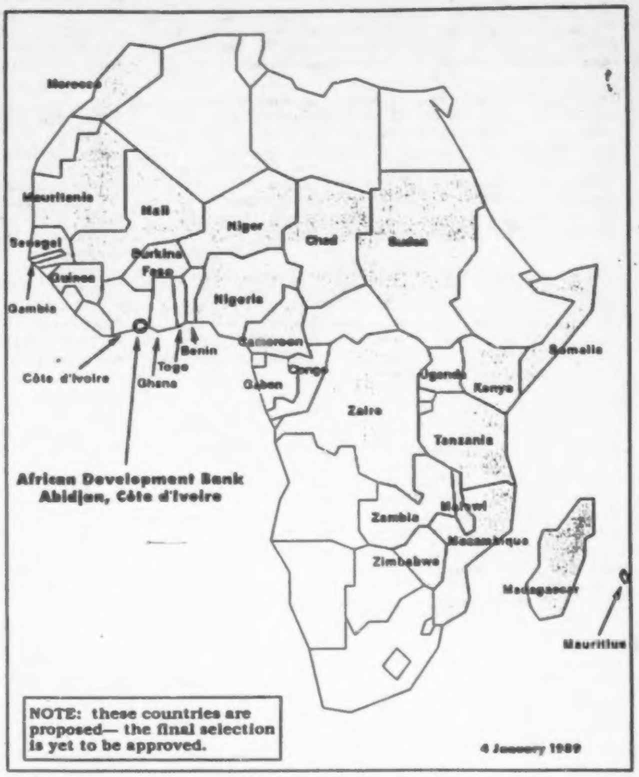
I have taken steps to help the African Development Bank become a leader in the effort [to address environmental deterioration]. At the last two annual meetings discussions of Africa's environmental problems have featured prominently and the country delegations have responded with interest. . . I have reached out to leading U.S. environmental organizations, which until recently were critics of the multilateral development banks, to form a partnership to find new ways to get political and economic muscle behind our efforts. —**Babacar N'Diaye**, President of the African Development Bank, in letters to U.S. foundations, August 1988.

The World Bank considers NGO's important co-workers with us in a common cause. They can help us "learn from the grassroots."—**Moeen A. Qureshi**, Senior Vice President for Operations, World Bank, April 22, 1988.

The [African Development] Bank has made good progress in preserving Africa's environment and we believe the Bank has a major role to play in this area. . . I also urge the Bank to proceed with the proposed joint Bank-**NGO Outreach Project** which will provide positive support to our environmental goals. —**James Baker**, Secretary of the Treasury, annual meeting of the African Development Bank, June 1, 1988

Our debt cancellation for countries with large forests, such as Zaire, Ghana, and Madagascar, is intended not least to widen the scope of these countries for protecting their environment and their natural resources. It is essential that as many creditors as possible should provide comparable forms of debt relief. In this connection one should above all examine to what extent debt relief or forgiveness can be more closely linked to ecological requirements.—**Chancellor Helmut Kohl**, Speech to the IMF/World Bank annual meeting, September 27, 1988.

Countries being considered for the NGO Outreach Project



NOTE: these countries are proposed— the final selection is yet to be approved.

4 January 1989

The Project will Design a trial of the environmental bonds concept

The proposed NGO Outreach Project will serve as the vehicle for designing a trial of the African Development Bank President's proposal for environmental bonds. The environmental bond concept calls for writing off a country's debt against performance in investing local currency in sustainable development. The NGO Outreach Project will provide the opportunity to develop the good working relationships among all parties necessary to design, implement and monitor a trial of the environmental bonds.

Project Activities for the first year

The Project will support a year long dialogue involving African NGDO's and governments. In parallel to project activities is a legislative effort and a U.S. grassroots education campaign aimed at achieving policy and regulatory changes in the U.S. law and government policy necessary to allow a trial program of the environmental bonds. These efforts are funded by the U.S. environmental groups themselves.

The U.S. environmental groups have established a mechanism to manage the project, including the input of the U.S. groups participating.

The NGO Outreach Project Coordinator, Dr. **Paul Weatherly**, will manage project activities in conjunction with the Bank's NGO Coördinator. His activities will be overseen by a Policy Review Committee composed of the Project Coördinator and one representative of each of the three U.S. NGO's and the African Development Bank. As project activities develop the committee with membership drawn from NGO's (both North and South) and other relevant organizations.

The Project partners will choose five countries from those shown on the map of Africa which meet the following criteria:

- *Countries must have a record of positive cooperation between government agencies and NGDO's;*
- *The NGDO's seek dialogue with the Bank;*
- *NGDO's must have shown success in community development efforts and in policy dialogue with their governments; and*
- *At least three of the countries must have substantial debts to the U.S. Government and have been making payments regularly.*

When funding is secured, the U.S. Project Coördinator and the Bank's NGO Coördinator will visit the top five countries to solicit interest and commitment to the Project. This visit will provide input to the final agenda and schedule for the first of two meetings of the representatives of the country governments and the NGDO's in Abidjan.

The two coördinators will develop the content of an interrelated series of background analyses which will explore technological, economic, and social issues likely to be raised by an expanded role of the

African Development Bank in working with NGDO's and in programing conversions of debt into investments in natural resources. The NGO Outreach Project proposes to bring African expertise in agriculture, forestry, social sciences, etc., into the policy dialogue process via an interrelated series of background analyses. The **U.S. National Academy of Sciences** BOSTID program will assist in the development of these background analyses as well as advise in the identification of qualified African scientists and policy analysts.

The Bank NGO Coördinator and the U.S. Coördinator will, together with the African Development Bank NGO working group, convene a meeting in Abidjan to allow the three groups represented (the African Development Bank, the country governments, and the NGDO's) to discuss and agree on a set of goals and a workplan to achieve those goals during the course of the project. Attendance by others will be strictly limited to maximize the opportunity for the participants to work as efficiently as possible. Observers will be limited to representatives of other regional MDB's considering a similar process of dialogue for their own institutions. Already the Asian Development Bank has committed to such a cooperating role.

During a period of ten months to one year following the first meeting, the African government agencies, the NGDO's and the African Development Bank NGO working group will continue to cooperate in writing five "country papers" which will be case studies of the current role of NGDO's in natural resource management as well as country strategies for the development of an enhanced NGDO role in African Development Bank funded projects. During this period a personal computer communications system will be set up to link African NGDO's with each other and to other NGO's in other parts of the world.

The participants will reconvene in Abidjan to discuss results and to draw up a list of recommendations for the African Development Bank and others. Following this meeting the African Development Bank, in collaboration with the U.S. Project Coördinator, will embark on the final design of a trial of the environmental bonds concept, which will involve the NGDO's of three of the five countries.

Project Funding

The African Development Bank has committed approximately $120,000 to the NGO Outreach Project. The U.S. environmental groups are approaching major U.S. foundations for support for the expenses of participation by African NGDO's in the year long effort. Already the Beldon Fund and the Rockefeller Foundation have made grants for design of the Project.

Advisory Board

The U.S. Project Coördinator is in the process of drawing up a list of potential members of an advisory board to assist implementation of the NGO Outreach Project. The Advisory Board will include representatives of organizations with experience or interest in the development of better working relationships between MDB's and local community NGO's as well as organizations concerned or knowledgeable about debt issues.

U.S. Environmental Groups and Project Principals

American Farmland Trust is a non-governmental, non-profit organization dedicated to protecting agricultural resources and the economic and environmental conditions essential to their sustainable, productive use. AFT seeks in working with the MDB's to show creative policies can provide real economic incentives to use agricultural resources sustainably. Dr. **Paul Weatherly** manages AFT's international program. Prior to this he worked for the U.S. Agency for International Development's (AID) Bureau for Program and Policy Coordination where he was responsible for evaluating AID's record on implementation of environmental regulations. He authored a strategy for AID to become the lead U.S. Government agency for monitoring the environmental impacts of MDB funded projects.

The **Sierra Club**, founded in 1892, is a non-governmental, non-profit organization committed to broad-based grassroots action on behalf of the world's environment. Its membership is 450,000 persons in 57 chapters and 300 city groups. It maintains a Washington, D.C., office for lobbying the U.S. Congress and federal agencies. The major goal of the Sierra Club's international program is protection of the global environment through environmentally sensitive and ecologically sound development assistance and financing. Mr. **Larry Williams** directs the Club's international program. Prior to this role he managed the Club's Clean Water Act Reauthorization lobbying campaign and the Club's legislative campaign to protect the U.S. EPA from severe budget cuts by the Reagan Administration. Prior to work with the Sierra Club, Mr. Williams was the Public lands Policy Analyst for the White House Council on Environmental Quality (CEQ) from 1978 to 1981.

The **Natural Resources Defense Council** (NRDC) is a private, non-governmental, non-profit environmental organization whose members and staff are involved in a variety of issues, including land and wildlife conservation, toxic substances, and air and water pollution. In international environmental issues NRDC advocates greater recognition of environmental issues among U.S. government agencies involved in international work and assistance (e.g. the U.S. Agency for International Development) and among numerous multilateral bodies such as the United Nations and the MDB's. Mr. **David Wirth** is the senior project attorney for International Programs and is responsible for international issues, including the environmental consequences of MDB activities, stratospheric ozone depletion and global climate change.

For Information Please Contact the U.S. Project Coördinator:	**Paul Weatherly** **NGO Outreach Project** **1920 N St., N.W., Suite 400** **Washington, D.C. 20009** **202-659-5170**

1/1/89

STATEMENT OF ROBERT O. BLAKE

I am Robert O. Blake, Chairman of the Committee on Agricultural Sustainability for Developing Countries. The Committee is composed of representatives from over thirty private organizations with a combined membership of over seven million U.S. citizens. The groups represented in our Committee include all the major environmental organizations, leading development PVOs with overseas agricultural development programs, and policy research institutes. The Committee came together two years ago because of our growing concerns that agricultural development policies and agricultural production practices worldwide are contributing, unnecessarily, to the irreversible degradation of the very natural resource base upon which the world's food supply depends. In short, we were--and continue to be--extremely concerned about the implications that current rates of degradation of soil, water and other agricultural resources have for long-term global food security. More importantly, we felt that the Committee could have a positive influence by using its political weight to encourage AID, the World Bank and other multilateral institutions to begin, at the earliest moment possible, to reorient their development policies and programs to address these very fundamental and critical sustainability issues in agriculture.

Both AID and the World Bank have been receptive to the Committee's overtures and we are engaged in what I consider to be a useful process of discussion and dialogue with them. Our discussions with AID,in particular, have now extended over two years and I am pleased to note that we have observed an increased acceptance by key officials of both the validity and the need for the incorporation of sustainability criteria into AID's agricultural activities.

ARDN Account

Today I have asked to testify on AID's agricultural, rural development, and natural resource budget request now before the Senate. I have already provided testimony along similar lines to your colleagues on the House Committee on Appropriations. We note the administration has requested $478 million, a 2.7 percent cut from what Congress appropriated for AID's agriculture programs in the last fiscal year. Given AID's statements on the importance it attaches to the right kind of agricultural development as the prime motor for Third World development and given the importance of good agricultural practices in global environmental protection, we cannot understand how this administration--an administration which claims for itself the qualities of global environmental sensitivity--could have failed to ask for an increase, let alone signal its readiness for a cut, in its agricultural budget. Given the urgency of the food security problem that the world faces, we strongly support the Senate initiative to increase AID's agricultural budget to $503 million.

Global Food Security

We are convinced that the world faces a very real and urgent crisis in feeding the rapidly growing populations of the developing countries. I want to stress the word urgent. The number of desperately hungry people in these countries is now very large, over 500 million, and will grow rapidly in the few remaining years of this century unless (and perhaps even if) heroic measures are taken by both the industrial and the developing countries to increase Third World agricultural production, maintain productivity gains in an environmentally sustainable fashion and improve the equitability of access to productive resources. You may have seen an article in the New York Times of April 6, 1989 quoting FAO's Director General on this topic. He told the Committee on World Food Security in Rome on April 3, 1989, "the global food security situation has become a cause of serious concern. Last year, I warned that the world's food security was at a turning point. World food stocks, including cereals, vegetable oils, dairy products, and even sugar are being drawn down sharply in relation to consumption, especially so in the case of cereals." I will add parenthetically that global stocks of cereals, the source of over half the world's food energy, dropped to a 54 days' supply this winter from an equivalent of 101 days food supply as recently as 1987. The Director General goes on to say, "Moreover production of other staples like roots and tubers has been stagnating in Africa and Latin America. And at the present time, the prospects for world cereal production in 1989 are not sufficiently favorable to look forward to a return to trend consumption (I believe he means consumption at average rates of the recent past) and at the same time to permit (the rebuilding) of stocks to a minimum safe level...It now seems certain that this outcome will not be achieved, even if weather is favorable for the reminder of the season....Consequently, any adverse crop conditions in major producing regions would have disastrously adverse effects...."

Unfortunately, Mr. Chairman, longer range prospects are even worse than were indicated by the FAO Secretary General's statement. World population now stands at 5.1 billion people. By the turn of the century we will be 6.1 billion people and by 2025, 8.2 billion. This is well before world population levels off, at best sometime after mid-century, at 10 to 14 billion people. But it is not only population growth which has caused the demand for food to rise. It is also the improvement in living standards and the world-wide growth of a strong middle class. People whose incomes have gone up demand both more and a greater diversity of food, further straining food systems.

Partly as a result of this population growth, the world's resource base of water, soil, and vegetative cover is in many places rapidly becoming degraded and in too many places totally unproductive. As Lester Brown recently pointed out in State of the World 1989, farmers are being asked to feed 86 million more people each year at the same time that 24 billion tons of topsoil is lost annually.

The food supply situation unfortunately could become even worse as weather patterns change due to the predicted warming of the globe. Developing countries could within decades be faced with a changing and more variable climate--increasing drought in some areas, changing monsoon patterns in others--which could have a devastating impact on the food security of affected farmers and nations.

The outlook for the human race is a cause for great concern. An estimated 35% of the people of the world already go to bed hungry, and the prospects for hunger and famine extending very rapidly to tens of millions more people is truly frightening. At the root of all this is grinding poverty. As Congress has so often said, it is poverty that creates hunger and environmental degradation--and not the poor. Without adequate livelihood opportunities, resource poor households get caught in a poverty trap that induces them to overexploit existing resources just to survive. And it is from the relief of poverty through better education, better and more widespread family planning, and more equitable development that ultimately population increases will level off. In the meantime the world--particularly the Third World--will, lacking heroic and effective counter measures, experience growing famine and suffering.

In the face of these horrendous prospects, the governments of the world--this government, the governments of the other rich industrial countries and, paradoxically, the governments of the developing countries--seem to be adopting a "head in the sand" posture. Here at home with our own agriculture, it's pretty much "business as usual", despite legitimate concerns over the sustainability of our current production practices. But the relaxed attitude of too many governments, the United States Government included, with regard to the visibly more urgent agricultural problems of developing countries is hard to understand. I say hard to understand given the fact that there are already many cost-effective options available which with only a moderate amount of support would allow Third World farmers to produce much more food on a sustainable basis. Nevertheless, there is no real sense of urgency, that I can detect, for tackling these problems in the approach of the new administration and AID--and little enough here in Congress.

National Security and World Hunger

I ask, can't we Americans see that hunger is not only going to directly effect the Ethiopians and Ugandans but also impact the citizens of this country too? Don't we recognize that a major part of the apparently unending influx into the United States of the poorest people from Central America and Mexico and Haiti is caused by the fact that too many farm families are no longer able to earn even a bare living on the lands that they farm? Don't we see that Egypt and Venezuela and Poland and soon perhaps even the Soviet Union could face civil disturbances and unrest because of food problems? Can't we foresee that the greatest threat to many friendly governments may well come from diminished food security and food riots, not external aggression?

U.S. Role

And yet, in the face of all this, the United States is underfunding two of the three potentially best instruments we have for fighting for improved global food security--the Agency for International Development and the international agricultural research centers organized under the umbrella of the Consultative Group for International Agriculture Research. (The third instrument is the World Bank which is not funded by annual appropriations.) Worse yet, as I have already indicated, AID's budgetary request for agricultural development submitted by the administration for FY 1990 is down substantially. This continues for a fifth year a slide in ARDN funding levels now equal to a $252 million cut since 1985, a reduction of over forty-three percent in constant dollars. Worse from our viewpoint, the Administration's request for funds for agriculture is down at the same time that the Administration request for AID's other functional accounts are up. U.S. support for the international agricultural research centers has dropped from the twenty-five percent of their budgets that we originally pledged to seventeen percent today--this at a time when we are calling on these centers for major new achievements in generating a second, equally important if less spectacular, green revolution for the small farmer on the less productive lands.

We submit that not increasing our financial commitment to agriculture development is very short sighted. We recognize the importance of drastically cutting the federal budget and we support this general thrust as very much in our national interest. But we believe that the looming threat to our global food supplies is also a very real threat to our national security. To combat hunger, just as we confront military threats, we must develop deterrents. And one of the best deterrents to food security threats must be attention to sustainable agricultural development.

Given the urgency of the situation I have described, we believe, Mr. Chairman, that Congress should appropriate no less than $500 million for AID's agriculture, rural development, and natural resource programs, and an increase from $40 million to $60 million to support the vital international agriculture research centers. We also join the National Association of State Universities and Land Grant Colleges in urging an additional $10 million in new money for a collaborative research program aimed directly at promoting sustainable agriculture.

Our stand in favor of an increase in AID's agriculture budget is not new. We took the same position last year and were grateful for the increase over the administration request that Congress allowed.

Key Issues

In the last weeks in discussions with members of the Congress, I have urged the strengthening of AID's agricultural, rural development, and natural resource programs for the reasons already described Your colleagues to a person have listened sympathetically to me and have recognized both the urgency of the food security problem and the desirability of promoting agricultural sustainability. A number of them, have asked me some very good questions. I would like to share these questions and my answers for I believe that they go to the heart of the problems that we face together.

Your colleagues ask, "Can the world grow enough food to feed its rapidly swelling population and still achieve longer term agricultural sustainability? Is this possible in a world so characterized by poverty and degrading natural resources?"

Next they asked, "Can the industrial countries and especially the United States hope for a politically acceptable sum which will nevertheless make a real contribution to the developing countries' food producing capacities on a sustainable basis? Don't the developing countries, their governments, and in the last analysis their farmers have to carry most of this burden?"

And finally, they asked, "If the United States can help in timely and cost effective ways, is AID capable of giving this help?"

All good questions--right to the point! Let's take them one by one.

Food Security and Agricultural Sustainability

Can the world achieve both food security and sustainability in agriculture? The answer to that is clear! We must. We must increase agricultural production and we must do it in a sustainable fashion or very soon pay a high human cost. Any steps that countries--developed or developing--take to increase food supply must be sustainable, by which we mean meeting evolving human needs without destroying the natural resource base on which food security depends. To do otherwise would be, to use an age-old simile, "to eat the seed corn". Any temptation to go beyond the limits of sustainability must be avoided like the plague. The soil and water resources of available lands must be conserved for this and future generations. This does not mean that each country must, can, or will be self-sufficient in food, particularly cereals. This is not the case now and probably never will be. More than 100 countries including Japan, China, and in many years the Soviet Union are dependent on United States' wheat, corn and rice. But with global food stocks so low, with demand for food growing, with food prices consequently rising rapidly, and with prospects for rapid expansion of food production so modest, the United States could too quickly be put in the very touchy position of having to choose among customers, with poor and debt-ridden countries being unable to pay competitively higher prices for our cereals at a time when not much food aid may be available.

No, the answer is not in food aid or in food self-sufficiency for the developing nations. Rather, within the realistic limits of food export availability on world markets and taking into consideration comparative advantages in production, each developing country must optimize its food producing capacity. We in our own interest must urgently help them do so.

Role of Industrialized Countries

The second question put to me by members of Congress, another very important one, "What can the industrial countries do to increase food supply by the developing countries? Isn't this the responsibility of the developing countries themselves?" The answer to the last part of the question is, yes of course this is ultimately the responsibility of the developing countries--their governments, their officials, and in the final analysis their farmers. We see it that way and the developing countries see it that way, both because of a proper regard for sovereignty and because of very practical considerations. But we all also agree that even if the developing countries could go at it alone, it would take so much longer and involve so much more human suffering that it's in everyone's interest--certainly our own--to launch a much broader and more cooperative effort to achieve agricultural sustainability.

What should that broader cooperative effort consist of? What [illegible]ipal contributions that outsiders can make to the kind of urgent agricultura[illegible]ment now needed by the developing countries? The simple answer is that outside[illegible]uld only seek to help developing countries do things that their own people and govern[illegible]s don't thoroughly understand, or can't easily do, or can't afford. This after all i[illegible]e essence of development in this epoch. We must also recognize that all real development must be collaborative, must be based on strongly perceived self-interest by both the giver and receiver of assistance, and must have good prospects for longer range political and financial support in the receiving country. Ideally, developing countries should not have to be coaxed to accept help in agricultural development, or most other kinds of development for that matter. In any case, those who receive help should be allowed to think, or be brought to conclude, that they thought of it first.

Beyond these important generalities, what are we talking about when we talk of urgent outside help for Third World agricultural development? A good way to think about what developing countries want and need is to separate assistance into two categories--help given directly to farmers and herdsmen and foresters and those working directly with them at the farm level, and secondly, help given to government officials working on one aspect or another of agriculture. This latter category would include policy discussions with and help to people at various levels of national, regional and local government working on policies that directly or indirectly impact agriculture (taxes, planning, prices, agro-processing, transport), people responsible for building or maintaining rural infrastructure (roads, dams, irrigation systems, marketing systems); researchers in agronomy, genetics, or rural sociology; and agricultural extensionists. This, of course, is only an indicative list.

The point is that for busy and sometimes inexperienced officials, first getting the most useful kind of training, then getting help in determining which problems are the most urgent and finally getting help in mobilizing the necessary resources is no easy task. Timely discussions with officials is another very often essential ingredient for good policy. But in the process outsiders must be modest, restrained, and realistic if they want to give the motor of governance a jump start rather than just an ineffective push.

But the real focus of agricultural development efforts must be the farmer him or herself. Yet, because of the scale and sensitivity of the effort required, outside agencies can seldom hope to directly reach the majority, or even a significant minority, of individual farmers. This is a retail business, whereas experience has shown that outsiders can seldom be more than wholesalers. However, by supporting efforts which can increase the bargaining power of farmers and their organizations, particularly the bargaining power of the poor and marginalized peasantry, conditions for bottom up development and increased food security can be significantly enhanced.

Role for AID

The third question was, "Is AID the right vehicle for carrying out these programs?", and, "What part of this urgent job might better be carried out by other development organizations?" The answer is that AID has a very important role to play--potentially a much bigger role than it or we Americans as a whole now play. AID's help should, I believe, be decided on the basis of three criteria:

(1) What most urgently needs to be done as seen principally by the receiving country?
(2) What do we Americans do best--at least relatively better than others?
(3) What resources do we have to do the job? We will never have enough resources to give all the help in agriculture that might be desirable or which may be wanted by governments or farmers.

Within this framework, I see several principal tasks in agricultural assistance for AID. At the level of government policy the principal element is encouragement to adopt an over-all policy framework supportive of a transition to agricultural sustainability and higher productivity aimed at food security. In part, this must include:

(a) Advice and encouragement to agricultural officials and planners to adopt and follow more productive policies, sensitive to rural needs, on taxation, trade, encouragement to private enterprise, more realistic pricing, natural resource management and development of incentives to farmers. To be successful, outside advice and encouragement must be based not on force but on intellectual conversion of government officials plus giving them some of the resources to carry out the right policies.
(b) Training for present and future agricultural planners, technicians and researchers at various levels. By rather general consensus, the United States has a strong comparative advantage in human resource development.
(c) Support for agricultural research by viable national agricultural research centers. This can take and has taken the form of direct contract assistance or expansion of the collaborative efforts carried on with AID financing (or occasionally with the Department of Agriculture- controlled financing) through American universities and research organizations.

What kinds of help to governments should AID not attempt in agricultural development? We believe that with few exceptions AID should be out of the major infrastructure financing business (dams, irrigation works, major roads, agricultural port facilities, etc.,); out of financing credit systems; and out of most structural adjustment programs. Leave these often important programs to the World Bank and the International Monetary Fund. Unfortunately, there is a recent and regrettable tendency for AID missions to abandon agricultural development projects in favor of simpler projects largely involving resource transfers. This trend must be reversed.

AID should continue to help developing countries with farm feeder roads and other small agricultural infrastructure, chiefly in connection with or as a part of more broadly conceived rural development. In doing so, however, AID must get its priorities right and avoid the complications of the unsuccessful integrated rural development programs of the 1970's.

I want to underline our Committee's conviction that one of the most important contributions that AID can make to the success of sustainability in agriculture at a level demanded by the urgent global food situation is to convince unheeding developing country governments--unfortunately a majority--of the vital importance of basing their agricultural policies much more on the needs, perceptions, wishes and limitations of the poor majority of their farmers. AID must encourage direct farmer participation in every aspect of agricultural planning and project implementation. This is something that many AID officers do well. I have observed this first hand in recent visits to AID projects in Egypt, India, and Pakistan. But such successful efforts must be widely replicated.

This brings me to the role that we think AID must seek to play at the farm level. We recognize, as I already indicated, that AID (and other aid giving agencies) can only hope to be wholesalers of agricultural sustainability, but within these limits much more can be done. AID has already at times supported (but in my view must give much more support) to the working out of models for sustainable farming, which will make use of improved plants and animals, farm-level techniques for integrated pest management, simple and inexpensive management of soil and water resources, and better management of nutrients maximizing the use of locally available and biological fertilizers, to name just a few desirable features. American private voluntary organizations, often working with local groups, can be one excellent vehicle for model building and we strongly support the extension of their efforts as far as their capacity and acceptability permit.

But in going from a workable model to its widespread adoption and adaptation, one quickly reaches the central difficulty of agricultural development at this stage. For example, it's quite clear that the technique, too often used by the World Bank and some other developing agencies, of just giving a government a large sum of money for an agricultural development program which sounds good on paper seldom produces really sustainable development. Many developing country governments, with their emphasis on top-down approaches to farmers and with their political penchant for early results, too often fail to adapt their development programs to fit farmers perceptions and talents. When this happens they fail to meet even their own technical objectives, let alone to achieve their broader objectives of combating poverty or of contributing to a more equitable rural society.

How then can AID help move from workable but limited models to broader and more efficient rural development? Obviously no single solution is applicable to all AID-receiving countries. But here are some of the methods which AID is already using and with which they must be encouraged to experiment, adapt, and expand. In some places AID is quite skillfully working with local government organizations which are rapidly replicating proven models along the oil roads of the Ecuadorean Amazonia, for example. In other places, AID is working with and through experienced American "PVOs". In still others, where government agricultural extension systems are effective, AID is helping those systems. But quite frankly I have the impression that AID and the other development agencies, including the banks, are too often so overwhelmed by all the difficulties of this task of replication that they have stopped trying hard enough to find answers.

The chief constraint to broader replication of sustainable agricultural models is not so much a lack of money, although more money is obviously needed. Nor is it initially even the lack of the right kind of new technology, although this too can be a serious problem. No, it is getting to the farmers in an effective way, and particularly to those small farmers on arable but less well endowed lands who were bypassed by the first "green revolution." We must get to them with simple existing farm-tested techniques of crop and soil and water management. We must create for farmers incentives to conserve as well as to produce.

International Agricultural Research Centers

Mr. Chairman, I will digress here a moment to say a few words about the role of the international agricultural research centers and the few regional research centers to which the United States already contributes through AID. We should, and in my view will soon have to, contribute much more to their work if we want to see the problem of food security solved within a meaningful time frame. The international agricultural research centers hold the key to the development of productive, disease resistant and stress resistant crop cultivars as well as to the design of farmer-tested methods to better use soil and water. Even while recognizing that new technology is far from the whole answer to heading off a crisis in food production, we must also recognize that it is crucial to maintain and expand these centers' efforts. This is urgently needed not just to maintain the gains of the first "green revolution" but also to produce broad benefits for the small farmer on the less well endowed land earlier bypassed. We must support these centers, criticize them when necessary, but recognize that they are carrying out an absolutely essential function. That is why we recommend that the United States very soon double its support to them and urge other donors to do likewise.

Summary of Role for AID

Returning to AID, let me try to sum up my answer to the last question so often asked by your colleagues, "Is AID an appropriate vehicle for our American part of the battle to meet the food needs of the developing world and at the same time to help make their agricultural systems sustainable?" My answer is a definite "yes". Definite because AID is an agency full of capable, dedicated people, experienced and skilled in the arts of development and demonstrably capable of change. AID is far from perfect but it is a leader and innovator among development agencies, particularly in approaching natural resource management, in working with farmers and in training. Its constraints are those of an overmandated, underfunded bureaucracy which through time has become barnacled with regulatory demands. But these are constraints that can be remedied by AID directly and by the Congress.

Backing up AID is a host of outstanding American universities and biological and social science research institutions. I am proud to state that leaders from many of these institutions are already part of our Committee. Our Committee is working ever more closely with the universities both directly and through the able organizations that represent them nationally. AID has a long record of working with and through the universities and research centers. The universities are loaded with people of many talents who can and must be mobilized for the fight ahead.

Changes needed in AID

What, then, are the changes in AID that we see as important to make it more effective? First and foremost, I believe that AID needs somehow to energize itself with a sense of much greater urgency about the importance of helping the developing countries come to grips with food security problems, all in a sustainable way. Secondly, AID and its field missions need to think through much more profoundly what will be required for the various developing countries to achieve agricultural sustainability and then better move all their agricultural, rural development, and natural resource programs in that direction. Thirdly, AID collectively needs, through good leadership and promotion of the right kind of people, to overcome what I consider to be a too limited vision of their role and potential. They must, in our national interest, develop a greater will to take the toughest problems of agriculture, be willing to take risks, and avoid the temptation to just undertake the easier projects. In all this they will need Congress' backing. Fourth, AID's field staffs must be liberated from the suffocating paper load that makes them spend so much of their time talking to each other and keeps them from spending enough time talking with farmers and officials and researchers in the countries where they live.

Challenges for Congress

Pervading all this, too, Mr. Chairman, are what we see as new tasks and new challenges for Congress in its relations to AID and the problems of agricultural development. We believe first of all that members of Congress and their committees could do much more to inform themselves about the urgency and possibility of aiding the transition to agricultural sustainability and remedying global food insecurity. We ask you to take time to decide what you collectively see as AID's responsibilities and potential in this regard, and then to convey to AID in every way possible a high sense of priority.

We also call upon the Congress to put language into both authorizing and appropriations legislation which will even more strongly restate AID's mandate to base its agricultural and rural development--indeed all development--on the principles of sustainability. That legislation should also strip down AID's mandate to a much smaller number of objectives. It should make clear Congress' wish that field staffs be liberated from the prison of paper work, including most of the formal requirements leveled on AID by Congress itself.

Conclusion

Mr. Chairman, if 1988 was the year of global environmental awakening, the 1990's must be the decade of environmental action. The world's leaders have come to acknowledge as never before that we are totally dependent for our very existence on the world's great natural systems--green plants, clean air, good soil, and pure water. We have the power to change these systems for the worse very rapidly through our own actions, and unfortunately are frequently doing so. Some very worrisome human-created changes are already far along and global in scale. We see this in atmospheric pollution and global warming, in widespread desertification and in massive erosion of arable soils. And--yes--we see it in growing limits on our ability to feed the world's rapidly expanding population.

Jessica Matthews reminds us in the Spring 1989 edition of Foreign Affairs, "Environmental strains that transcend national borders are already beginning to break down the sacred boundaries of national sovereignty, previously rendered porous by the information and communications revolutions and the instantaneous global movement of financial capital." She calls for the world's governments to agree on new institutions to help meet these problems on a global scale.

I agree that we will need new global institutions if we are to even begin to cope with a part of these problems equitably and universally. But first we in the United States as world leaders in science and technology will have to put our own house in order and begin to help others come to grips with their own part of the great environmental problems of the day. For this, in the next few years at least, the United States will have to depend on its existing institutions. But for these institutions to be able to rise to these challenges, we will need to recharge them with a new spirit of urgency and priority, and give them the resources to undertake these tasks.

The Committee values the leadership that the Senate is providing for sustainable development and we hope it will continue to strengthen. Equally importantly, we urge the Congress to insure that sufficient resources are provided for programs critical for improving natural resource management for sustainable development.

Somehow between the President and the Congress, AID must be encouraged to lift its sights and begin laying the framework for the program and institutions which will take developing countries through the 21st century. Current demographic and environmental trends are now threatening to overwhelm the capacity of too many of these countries to provide sustainable livelihood for their people. Such an outcome poses very disturbing prospects of greatly increased human suffering. It also ultimately threatens to erode our own national security. We must intensify our efforts to meet the challenge of global hunger by taking advantage of the current opportunities for ensuring that food production for all farmers is placed on a sustainable basis, one that can feed both this and coming generations. This is a challenge that AID, and the United States, must accept with the spirit and confidence with which our people have always attacked problems of vital national interest.

STATEMENT OF CARE

CARE appreciates the opportunity to present this written testimony to the Senate Appropriations Committee's Subcommittee on Foreign Operations regarding fiscal year 1990 appropriations.

On February 27th of this year, a letter (attached) was sent to the chairman and members of the Senate Budget Committee from 50 non-governmental organizations (NGOs) engaged in international relief and development programs in the poorest countries of the world. The letter reviewed the shift of U.S. international assistance away from development and humanitarian assistance to military and security assistance over the last 12 years. In that letter, we requested the Budget Committee, in its general guidance to the Appropriations Committee, to support a reversal of this trend.

Recognizing the overall budget constraints under which the Congress is working, and the specific budget limitations with respect to the international assistance account, we would like to make it clear that we ARE NOT asking the Committee to consider a higher level than that imposed by the budget resolution. WE ARE ASKING THAT THE COMMITTEE BEGIN TO RESTORE THE PRE-1978 BALANCE BETWEEN DEVELOPMENT AND HUMANITARIAN ASSISTANCE AND MILITARY-SECURITY ASSISTANCE. In other words, we are asking for a kinder and gentler 150 account.

Taking its lead from the Hamilton task force report on foreign assistance, a group of NGOs working in the field of international development and representing environmental, population, religious, advocacy, and community development constituencies formulated A SET OF FOREIGN ASSISTANCE ACT GOALS WHICH WE RECOMMEND TO THIS COMMITTEE FOR ADOPTION AS CRITERIA IN THE APPROPRIATION OF 150 ACCOUNT FUNDS:

1) The promotion of equitable development, including the alleviation of the worst physical aspects of poverty and of the conditions causing the poverty;
2) The fostering of the capabilities of developing countries that will enable then to achieve greater economic self-reliance and to participate equitably in the international economic system;
3) The promotion of improved environmental, natural resource, and agricultural management to enable developing countries to achieve environmentally and economically sustainable patterns of development; and
4) The encouragement of development processes in which political, social, and economic rights and pluralism are promoted.

We espouse and support these goals for two reasons:

1) They are the goals which Americans most value and support, (Overseas Development Council-InterAction survey, 1987), and
2) They are fundamental to meaningful and sound people-to-people-oriented development, i.e., those training, education, credit, health, and environmental programs and projects that help the developing world's poor in THEIR OWN EFFORTS to achieve sustainable social and economic well-being.

WE ALSO RECOMMEND THAT THE COMMITTEE CONSIDER THE ADOPTION OF CLEAR STANDARDS OF ACCOUNTABILITY CONSISTENT WITH THE EXECUTION OF THESE GOALS, AND SCRUTINIZE INTENSELY ALL TITLES OF THE 150 ACCOUNT WITH RESPECT TO GOAL ACCOMPLISHMENT.

The security which most of the developing world's poor seek is economic, social, and food security. The appropriation and allocation of our resources must strongly address these conditions of insecurity. AT LEAST 50% OF OUR FOREIGN AID APPROPRIATION SHOULD ADDRESS THESE TYPES OF SECURITY ISSUES.

In the poorer debt-distressed countries, CARE and other NGOs are spending more of their energy and resources on relief and rehabilitation programs to mitigate the adverse effects of structural adjustment programs on poorer segments of the population. In order to qualify for international lending, many of these countries have had to adopt austerity measures and reduce their expenditures for basic development activities such as education, nutrition, health, housing, and public works. This has placed greater pressure on NGOs to try to fill in with compensatory programs to counteract these austerity measures. This is a role NGOs take on with some reluctance, because it diverts us from our longer-term development efforts. Accordingly, we request that the Committee elevate poverty alleviation criteria in its policy guidance to Treasury and the U.S. Executive Directors of all multilateral development banks.

Macro-economic policy reform programs in developing nations have inadequately addressed the fundamental development issue of improving the productive role and capacity of poor people. In many instances, the reform programs have resulted in wholesale cuts of essential poverty alleviation programs. UNICEF reports that, in the last few years, THE 40 LEAST DEVELOPED COUNTRIES HAVE CUT SPENDING ON HEALTH BY 50 PERCENT AND ON EDUCATION BY 25 PERCENT. Furthermore, UNICEF reports that AVERAGE FAMILY INCOME HAS FALLEN BY 10 TO 25 PERCENT IN AFRICA AND LATIN AMERICAN SINCE 1980, which means that the poorest people, who already survive at only subsistence levels, have further had to literally tighten their belts.

In focusing on export-oriented policies, debt servicing, and internal austerity, macro-economic reform programs, as prescribed by the World Bank, IMF, and other multilateral development banks, have overlooked the clear economic evidence of the positive and often high returns of investment in human capital. To sustain development, macro-economic reform policies must be restructured with new criteria and new statistical measures. These criteria and measures must incorporate the needs and inputs of the poor and enhance their productive roles in the development process.

The World Bank has cited its macro-economic adjustment policies for raising the per capita GNP of adjusting countries. We find, however, that per capita GNP is an illusive measure of progress. As an aggregate statistic, it veils inequitable distribution of income. Moreover, the Bank's export-oriented, macro-economically-driven development lending programs do not directly address poverty alleviation. Nor do policy dialogues and loan negotiations give sufficient priority to the fundamental economic and social issue of poverty alleviation.

Meanwhile, the developmental focus on production of exports and earning foreign exchange for debt service forces developing countries into a fluctuating, global economic system which their underdeveloped economies frequently cannot weather. Macro-economic policy reform must strike a balance between these external requirements and the immediate human needs of the developing nations.

Anticipating the upcoming capital increase negotiations with the multilateral development banks, especially in the upcoming IDA-9 replenishment, WE ASK THIS COMMITTEE TO URGE TREASURY TO INCORPORATE PROGRESS IN ALLEVIATING POVERTY AS A MAJOR CRITERION IN MACRO-ECONOMIC ADJUSTMENT LENDING. Other processes and objectives of development must be consistent with poverty alleviation policies. Fundamentally, poverty alleviation must be considered to be NOT AN EVENTUAL CONSEQUENCE, but rather A FUNDAMENTAL PART of development and adjustment.

To reinforce our support of such policy change, WE ASK THE COMMITTEE TO URGE TREASURY AND THE STATE DEPARTMENT TO ADOPT AS POLICY THE GUIDELINES FOR STRUCTURAL ADJUSTMENT LENDING THAT WERE AGREED TO BY THE MAJOR DONOR NATIONS CONSTITUTING THE DEVELOPMENT ASSISTANCE COMMITTEE OF THE OECD. These guidelines are:

1) Designing programs to insure the cushioning of the impact of structural adjustment plans on vulnerable groups, particularly women and children;
2) Improving the design and delivery of public services to poor people, with an emphasis on financial and institutional sustainability and local community involvement;
3) Supporting policies which promote widely shared growth;
4) Strengthening the productive role of the poor in the economy; and
5) Strengthening the arrangements for consultation, coordination, and monitoring among multilateral and bilateral donors, developing country governments, and NGOs.

Recognizing the need to directly address poverty in adjustment, WE FURTHER ASK THE COMMITTEE TO URGE TREASURY TO ADVOCATE POLICIES THAT INCLUDE, AS CRITERIA FOR THE EVALUATION OF THE MULTILATERAL DEVELOPMENT BANK LENDING PROGRAMS, FUNDAMENTAL MEASURES SUCH AS CHILD MORTALITY, CALORIC CONSUMPTION, AND LITERACY. These indicators must also be disaggregated by income and gender in order to eliminate the distortions of averaging and gender inequities. Effective monitoring will require improved information gathering mechanisms, including increased reliance on data from indigenous grassroots organizations and other NGOs.

Essential to progress in development and poverty alleviation is a more constructive policy dialogue. One key shortcoming of current dialogues is a lack of input from relevant domestic actors. Historically, the borrowing country's finance ministry has been the chief domestic representative in development policy dialogues. WE MAINTAIN THAT IT IS ESSENTIAL THAT OTHER DOMESTIC MINISTRIES AND NGOS THAT ARE INVOLVED IN AREAS OF HUMAN RESOURCES DEVELOPMENT PARTICIPATE IN THE DIALOGUE.

Only with the input of appropriate ministries and organizations can policy dialogue directly address issues of development. Specifically, the dialogue must include the participation of ministries with authority over health, education, agriculture, housing, and public works, as well as grassroots organizations with hands-on experience in development at the local level.

Furthermore, in order to more broadly coordinate all development efforts, WE ENCOURAGE MULTIPARTY DIALOGUES INVOLVING RECIPIENT COUNTRIES, GRASSROOTS ORGANIZATIONS, NGOS, MULTILATERAL DEVELOPMENT BANKS, AND BILATERAL DONORS. Such dialogue is necessary to coordinate the disparate forms and sources of aid to developing nations, and to thereby avoid reiteration or contradiction of efforts. This concern arises particularly with U.S. AID's expansion of its agenda in the area of macro-economic policy reforms. The U.S. now sponsors essentially a two-pronged effort of macro-economic policy reform: one through the capitalization of the multilateral development banks; the other through the AID-administered bilateral aid program. We maintain that this policy is at best reiterative, and at worst counterproductive.

We believe that AID's role of providing direct project and program assistance is vitally important. AID's comparative advantages over multilateral and other bilateral donors are its professional staffing of overseas missions and its development and country expertise. We are, though, concerned with the expansion of AID into policy reform. We urge AID to pursue the statement in its report on Development and the National Interest, that "[W]e see a new understanding of 'development' -- one focused on the efforts of individuals working for their own economic and social improvement." Should the multilateral development banks incorporate poverty alleviation as a major criterion in macro-economic adjustment lending, and debt distressed borrowing countries demonstrate effort in addressing their poverty problems, we would then support a strong U.S. program of bilateral cofinancing in cooperation with the World Bank.

We would now like to make a series of recommendations regarding appropriations for specific programs:

Child Survival

We commend the Congress, and in particular this Committee, for its continuing attention and support of the Child Survival Fund.

CARE and many other NGOs have been involved for years in working with parents and local communities to improve the potential and the quality of lives of children and mothers long before this revolution had a name. Child survival interventions are now saving the lives of nearly 2.5 million children under five and protecting the health and growth of an even greater number of children each year. In 1980, less than 10 percent of the world's children were immunized against deadly, but preventable diseases; today over 50 percent of these children are immunized. These programs do have an impact. CARE alone has been able to immunize 1.8 million children under the age of five in 1988-89.

Last year, once again this Committee expressed its desire that the Child Survival Fund be utilized to a greater extent by experienced and effective organizations that have the proven capacity to reach those in greatest need at the community level. In addition, it encouraged the Administration to provide at least $15 million of the Child Survival Fund to support the centrally-funded child survival programs of AID's Office of Private and Voluntary Cooperation (PVC), which administers worldwide community-based child survival programs through effective NGOs. WE ENCOURAGE THE COMMITTEE TO RETAIN THIS CENTRAL FUNDING LEVEL OF $15 MILLION FOR PVC'S SUPPORT OF VITAL PEOPLE-TO-PEOPLE PROGRAMS.

We encourage this Committee to expand the parameters of child survival. MORE ATTENTION NEEDS TO BE PLACED ON THE ROLE OF WOMEN AND MOTHERS IN THIS WORLDWIDE EFFORT, AS WELL AS ON IMPROVING THE HEALTH OF WOMEN AND GIRLS IN GENERAL. The present legislation calls for activities that deal with the "special health needs of children and mothers;" however, it then only mentions steps that should be taken to reduce childhood mortality and morbidity, somehow overlooking the critical role that women have in this process and the importance of their health and well-being to sustainable child survival and the social and economic development of their countries.

In FY87, U.S. assistance for child survival activities reached a global total of $185 million comprised of funding from the child survival, health, agriculture, and ESF accounts. Since that time, despite increases to the Child Survival Fund and the targets set for health and child survival in the Development Fund for Africa, the global total has declined to about $170 million for FY88 and FY89 with only slightly more estimated for FY90. WE URGE THE COMMITTEE THAT NOT LESS THAN $200 MILLION FROM ALL RELEVANT ACCOUNTS BE THE TARGET THAT THE U.S. SETS FOR ITSELF FOR FY90 FOR CHILD SURVIVAL ACTIVITIES. Considering the level reached in FY87, this represents a very modest increase of approximately half the rate of inflation over three years for a program that has proven to be one of the most popular and positive parts of our foreign assistance effort.

Women in Development

The interest and support of this Committee in strengthening the original women in development mandate of 1973 by including significant provisions in the FY89 Foreign Aid Appropriations bill is a matter of record. We appreciate the part that you have played in this respect. We are particularly pleased that the central role of women and the substantial social and economic contributions they make to the development of their countries is finally being recognized.

The U.S. has led the world in adopting legislation that promotes the integration of women into economic development. However, effective and committed action has been slow to follow. It was through legislation and the action of this Committee and your House counterparts last year that a major step forward for implementing this policy was taken. BECAUSE OF THE POSITIVE IMPACT OF YOUR ACTION ON U.S. EFFORTS LAST YEAR, WE ASK THAT, AT A MINIMUM FOR FY90, YOU RETAIN THE WOMEN IN DEVELOPMENT PROVISIONS THAT WERE INCLUDED IN THE FY89 APPROPRIATIONS BILL.

WE ALSO URGE THAT YOU MAINTAIN SUPPORT AND FUNDING AT THE FY89 LEVEL FOR TWO INTERNATIONAL AGENCIES: THE UN DEVELOPMENT FUND FOR WOMEN (UNIFEM) AND THE INTERNATIONAL TRAINING AND RESEARCH INSTITUTE FOR THE ADVANCEMENT OF WOMEN (INSTRAW).

In addition, we encourage you to further strengthen the U.S. commitment by ensuring that there be greater use of sex-disaggregated data; that the involvement of women in AID projects and programs truly approximate either their traditional participation in such an activity or their proportion of the population, whichever is greater; that obstacles to women's participation be identified with strategies for overcoming these obstacles; and that there be stronger evaluation and much greater accountability demanded of the efforts undertaken to involve women in our assistance programs. We encourage these further steps because, after fifteen years of the women in development program, the involvement of women in the developing world in AID-sponsored activities has hardly reached a level consistent with the importance of women's social and economic roles.

The full participation of women in the development process is critical to the success of Third World development. Women must be viewed as full participants and agents of change, not as merely recipients or beneficiaries. The full commitment of U.S. policy to this goal is crucial if the U.S. is serious about the Third World achieving balanced economic growth, addressing the causes of hunger and poverty, increasing the well-being of the poor majority, finding solutions to environmental degradation, and, in the end, reaching sustainable development.

Food Aid Development Grants

NGOs play a major role as cooperating sponsors in programming and targeting P.L. 480, Title II food aid to nutritionally vulnerable populations in both emergency and non-emergency contexts. They are responsible for the effective programming of several hundred million dollars in food aid resources. In addition, the cooperating governments in developing countries where CARE works contribute over $24 million for program support of these food aid programs.

Faced with the high operational costs of undertaking maternal and child feeding and food for work programs, particularly in Sub-Saharan Africa, additional dollar assistance in the form of food aid development grants has been essential to support these programs. These grants are used to:

1) strengthen the development component of existing programs,
2) support innovative initiatives and new approaches which maximize the development impact of food resources,
3) provide technical assistance and other costs associated with planning and implementation, and
4) respond to unmet logistical, transportational, distributional, monitoring, and other operational needs.

LAST YEAR, THIS COMMITTEE WAS PARTICULARLY SUPPORTIVE AND INSTRUMENTAL IN CALLING FOR THE FUNDING OF THE FOOD AID DEVELOPMENT GRANT PROGRAM AT $12 MILLION FOR FY89. CARE AND THE OTHER NGOS MANAGING FOOD AID PROGRAMS REQUEST THAT THE COMMITTEE AGAIN SUPPORT THESE FOOD AID GRANTS AT THE SAME LEVEL FOR FY90. This program represents an important component for the success and qualitative improvement of our P.L. 480, Title II food aid programs.

Funding for the Office of Private Voluntary Cooperation (PVC)

WE RECOMMEND THAT THE COMMITTEE CONTINUE ITS SUPPORT OF FUNDING THE PVC OFFICE OF AID AT $60 MILLION IN FY 1990. This level of funding would maintain current programs, including the PVC-NGO matching grants, child survival, development education and the food aid development grants programs.

Development Fund for Africa

CARE supports an appropriations mark of $560 million for the Development Fund for Africa for FY90, including strong Committee reaffirmation of the three areas targeted for special attention and ALLOCATION OF AT LEAST 10 PERCENT OF THE FUND FOR EACH OF THE FOLLOWING AREAS:

1) maintenance of the natural resource base and agricultural activities which directly support this purpose,
2) health, with special emphasis on the needs and education of children and mothers, and
3) voluntary family planning.

There is some question as to whether the targets in the three special attention areas were met in the previous fiscal year and whether they will be met in the current fiscal year without adding centrally-funded activities.

WE RECOMMEND THAT THE COMMITTEE MAKE CLEAR THAT CENTRAL FUNDING OF THESE SPECIAL AREAS IS TO BE IN ADDITION TO THE 10 PERCENT TARGETS SET WITHIN THE CONTEXT OF THE APPROPRIATION FOR THE DEVELOPMENT FUND FOR AFRICA.

In closing, we would like to thank the Committee for its abiding support of child survival, women in development, the Development Fund for Africa, and the matching grants program with NGOs. We trust that the Committee shares our deep concern over the negative effects of macro-economic adjustment on the poor and will URGE TREASURY TO NOT ONLY INCORPORATE PROGRESS IN ALLEVIATING POVERTY AS A MAJOR CRITERION IN MACRO-ECONOMIC ADJUSTMENT LENDING, BUT ALSO ADOPT AS POLICY THE GUIDELINES FOR LENDING AGREED TO BY THE DEVELOPMENT ASSISTANCE COMMITTEE OF THE OECD. Finally, we sincerely hope that the Committee will GIVE HIGHEST PRIORITY TO RESTORING THE BALANCE BETWEEN DEVELOPMENT AND HUMANITARIAN ASSISTANCE AND MILITARY-SECURITY ASSISTANCE THIS YEAR.

[LETTER FROM A COALITION FOR A KINDLIER AND GENTLER FOREIGN ASSISTANCE BUDGET]

February 27,1989

To: The Chairman and Members
House and Senate Budget Committees

From: The Coalition for a Kindlier and Gentler Foreign
Assistance Budget

Dear Member of Congress:

Over the past 12 years, an increasing amount of U.S. international assistance has shifted away from development and humanitarian assistance to military and security assistance to third world countries. The share of the total foreign assistance budget going to development related programs (development, food and multilateral development bank support) has decreased from nearly 50% in the late 1970s to less than 40% today. Military assistance, which previously took 25% to 30% of the budget, increased to over 40% in the mid-1980s and has been running at 36% of the budgets during the past three years. Economic Support Funds have ranged from 20% to 25% of the budget.

The non-governmental organizations listed on page 2 request you to give careful consideration to reversing this trend in the Fiscal Year 1990 budget. In your general guidance to the Appropriations Committees on the 150 Account, we request you to support reversal of this trend. Surveys of the American people clearly substantiate their preference for support of a kindlier and gentler international assistance program, one which strongly reflects our humanitarian and moral values. We ask for fewer swords and more plowshares.

Adventist Development & Relief Agency
Africare
Aga Khan Foundation U.S.A.
Agricultural Cooperative Development International
Air Serv International
America's Development Foundation
American-Near East Refugee Aid
AMREF
Bread for the World
CARE
Catholic Relief Services
Church World Service/Lutheran World Relief
Coalition for Food Aid Policy & Programs
Community Nutrition Institute
Council for International Development
Daytop International Inc.
End Hunger Network
Experiment in International Living
Freedom From Hunger Foundation
Friends Committee on National Legislation
Helen Keller International
INMED
International Eye Foundation
International Voluntary Service
Lutheran Immigration and Refugee Services
National Cooperative Business Association
National Council of Negro Women
National Council of Returned Peace Corps Volunteers
National Rural Electric Cooperative Association
Natural Resources Defense Council

Overseas Cooperative Development Committee
Overseas Education Fund, International
PACT
Partners of the Americas
Pax World Foundation
Planning Assistance
Planned Parenthood Federation of America
Population Crisis Committee
Population Services International
Project Concern International
Rodale International
Service and Development Agency of the A.M.E. Church
The Center for Development and Population Activities
Tolstoy Foundation, Inc.
Trickle Up Program
Winrock International
World Education, Inc.
World Relief Corporation
World SHARE, Inc.
World Vision
YWCA of the U.S.A., National Board

STATEMENT FROM THE INTERNATIONAL EXCHANGE ASSOCIATION

On behalf of the member organizations of the International Exchange Association (IEA), the following statement is submitted for the record of the Senate Appropriations Subcommittee on Foreign Operations, for consideration in the 1990 fiscal year of funding for the U.S. Agency for International Development, and related activities.

- * -

U.S. tax dollars spent on foreign assistance utilize a wide variety of approaches and mechanisms to achieve our American foreign policy objectives. We believe that one particular tool in assistance programming--that of the exchange of persons--is a particularly effective and efficient mechanism for providing development assistance throughout the world. The International Exchange Association wishes to call particular attention to exchange-facilitated development assistance because we believe that by better utilization of exchanges and people-to-people programs, the U.S. Government could provide a more far-reaching and cost-effective impact in the developing world.

International citizen exchange programs typically are driven by community-based activities that at their core are voluntary in nature. The network of volunteers and communities already active in exchange programs can provide U.S. development assistance efforts with extensive resources and expertise as a cooperative partner with the U.S. Government. With these human and capital resources as a backdrop, we believe the following four issues bear consideration as this Subcommittee decides on the funding priorities for development assistant. Exchange-driven, community-based development assistance:

1. promotes and supports sustainable, long-term development because collaboration is relationship-based rather than project-based;

2. builds a constituency for foreign assistance in the United States because the sum of these relationships involves an increasing number of U.S. participants from our states, cities, and towns, as well as our American public and private institutions;

3. places a high value on time, confidence, and community participation in the development process, which are often valued more highly by the development partners than financial resources; and

4. helps U.S. constituents understand that all communities--including those in the United States--are developing and that development of the U.S. and overseas communities is promoted in a relationship of mutuality.

These aspects of people-to-people development assistance are unique, in part because they allow the development partners--Americans and their overseas colleagues--to take ownership of the development process. What the objectives of a particular project are, its time line, its evaluation, its continuation, all become a part of what the participants seek, not what a set of short-term priorities oblige the participants to undertake. As a consequence, AID development assistance within the exchange context can be utilized to start, reinforce, or focus development activities with the expectation that the process will continue within a community after AID money has been spent. Over time, this means that U.S. aid could reach more communities throughout the developing world at the current level of funding.

Innovative programming using development assistance monies are not new to AID, and several of IEA's members presently work in cooperation with the Agency. Several examples of these programs are outlined below:

* Over the course of a 15-year sister city relationship, Rochester, N.Y., has provided training for municipal officials in Bamako, Mali; has supported a maternal/child health project and a prosthetics industry; and has provided numerous scholarships for Malian students. Approximately $9,000 in AID grant money to Sister Cities International has generated several hundred thousand dollars in development assistance during the relationship, including contributions from the Rochester community of cash, equipment, scholarships, and skilled personnel. A similar program has been initiated between New York City and Cairo, Egypt.

* Agricultural families of the Sabanagrande region of Honduras are producing conservatively 25 percent more produce, and understanding why, because of their relationship with the Vermont/Honduras Partners of the Americas. Hands-on training and very practical technical assistance provided by Vermonters have developed a large core of farmers into prepared extensionists. Complementary programs in forestry, rural health, and small business development have incorporated all family members into this exciting effort.

* Baltimore, Maryland, has been linked with Gbarnga, a small Liberian community, for more than 15 years, to assist that African town with its plans for water and sewer development. In addition, the sister city relationship has provided Gbarnga with classroom furniture, textbooks, and curriculum planning and design assistance for its public school system. Baltimore has also provided municipal technicians and public health workers to Luxor, its sister city in Egypt. These activities and more have been accomplished with AID grants totalling less than $15,000.

* With resources from the Nicaragua Childrens' Assistance Program, the Nicaragua/Wisconsin Partners quickly and effectively distributed tons of medical supplies and food stuffs through their network of 150 private, predominately religious, health centers. Through the purchasing and provision of technical assistance to the health centers, the

Wisconsin Partners guaranteed the most efficient and appropriate use of all materials. Thousands of children benefitted by this program.

- The fields of special education and rehabilitation in Costa Rica will never be the same because of the link between Oregon and Costa Rica. Professionals from both partners have diligently worked for years to establish a Department of Special Education within the Costa Rican Ministry of Education to develop parent support groups, and a program which provides vocational training for the handicapped. All of this and much more has been accomplished, providing the Partners volunteers in Oregon and Costa Rica with a special sense of pride having worked to make a real difference in their community.

- Through its grant from AID, Sister Cities International has assisted Baton Rouge with the administration of its relationship with Port-au-Prince, Haiti, while the Louisiana city has covered the program costs of its relationship out of locally-raised funds. Plans for a similar collaboration have been initiated between Philadelphia and Douala, Cameroon, and between Tucson, Arizona, and Noukchott, Mauritania.

Given our current federal fiscal environment and the declining funding pool for U.S. foreign affairs activities, IEA believes that the aspects of exchange-based assistance described above should make it an essential component of U.S. foreign aid programs. We ask that the U.S. Congress seriously consider increasing the ratio of dollars spent on these types of development assistance projects.

In summary, IEA believes that there is a substantial, beneficial payoff for the utilization of the American international citizen exchange network for the purposes of foreign assistance. Capitalizing on this already existing network--and contributing to its maintenance--will allow the U.S. Government to have assistance programs that:

- produce a "big bang for the buck"--often generating as much as $12 of matching assistance for each dollar of AID funds;

- create enduring U.S.-developing country linkages that extend beyond AID's funded project; and

- generate goodwill toward, and a domestic constituency for, U.S. development assistance work overseas.

As this Subcommittee and the U.S. Congress decide how they wish to direct our foreign assistance programming in the coming year, IEA and its members stand ready to cooperate and to offer new and innovative ideas on how to achieve success in this vitally important international process.

IEA is a nonprofit, membership organization dedicated to the support of international citizen and youth exchange between the United States and the countries of the world. Its members--47 U.S.-based, nonprofit organizations--are engaged in, or actively support, the exchange of citizens, youth, trainees, and professionals for educational, cultural, professional, and humanitarian purposes (a membership list is attached). The Association serves as an umbrella organization that brings together the many facets of this dynamic international exchange community. Through cooperative projects involving member organizations, IEA works to strengthen communication within the exchange community; to improve the quality of information about the exchange community in government and throughout the public;

to provide training for staff and volunteers in leadership and program management issues; and to cultivate and promote innovative exchange program ideas. IEA does not administer any exchange programs and does not receive any federal money.

Among the members of IEA are organizations that provide technical assistance, participant training, or cultural enrichment for the U.S. Agency for International Development (AID) and who act under grant or contract or as part of their mission to undertake such activities independent of the Agency. In all cases, these organizations use the mechanism of exchanges to achieve their development assistance goals. Much of the work these organizations conduct on behalf of AID is centered on community- or state-based linkages between the United States and those countries where AID is present.

The International Exchange Association

The International Exchange Association is a nonprofit, membership organization dedicated to the support of international citizen and youth exchange between the United States and the countries of the world. Its members--all U.S.-based, nonprofit organizations--are engaged in, or actively support, the exchange of citizens, youth, trainees, and professionals for educational, cultural, professional, and humanitarian purposes.

IEA serves as an umbrella organization that brings together the many facets of this dynamic international exchange community. Through cooperative projects involving member organizations, IEA works to strengthen communication within the exchange community; to improve the quality of information about the exchange community in government and throughout the public; to provide training for staff and volunteers in leadership and program management issues; and to cultivate and promote innovative exchange program ideas. IEA does not administer any exchange programs, but does serve as a reference point for exchange programming and related activities offered through member organizations.

IEA's specific activities include presentation of workshops and seminars on aspects of international exchange for its members and the public; an annual conference held in early Autumn for the citizen and youth exchange community; publications and materials in support of the international exchange community; and the International Leadership Development Institute, sponsored jointly with Colorado College. In addition, IEA acts as a facilitator for information and resources between its members and the government, other exchange-related organizations, and the public. The activities are coordinated through IEA's office in Alexandria, Va.

Inquiries from the public, government, and organizations about international citizen and youth exchange are welcome.

Full Members

AFS Intercultural Programs
New York, N.Y.

AIESEC-United States
New York, N.Y.

American Center for International Leadership (ACIL)
Columbus, Ind.

American Council of Young Political Leaders (ACYPL)
Washington, D.C.

Educational Foundation for Foreign Study (EFFS)
Cambridge, Mass.

The Experiment in International Living (EIL)
Brattleboro, Vt.

Foreign Policy Association (FPA)
New York, N.Y.

The Friendship Force
Atlanta, Ga.

People to People International
Kansas City, Mo.

Program for International Educational Exchange (PIEE)
Bakersfield, Calif.

Sister Cities International (SCI)
Alexandria, Va.

Spanish Heritage-Herencia Espanola (SHE)
Forest Hills, N.Y.

The American Forum
New York, N.Y.

American Red Cross
Washington, D.C.

American Scandinavian Foundation (ASF)
New York, N.Y.

American Secondary Schools for International Students and Teachers (ASSIST)
Peterborough, N.H.

American Youth Work Center Washington, D.C.

ASPECT Foundation
San Francisco, Calif.

Association for International Practical Training (AIPT)
Columbia, Md.

AYUSA International
San Francisco, Calif.

CDS International, Inc.
New York, N.Y.

Children's International Summer Village (CISV)
Troy, Ohio

Council of International Programs (CIP)
Cleveland, Ohio

Citizen Exchange Council (CEC)
New York, N.Y.

Future Farmers of America (FFA)
Alexandria, Va.

Girl Scouts of the USA
New York, N.Y.

InterExchange, Inc.
New York, N.Y.

International Christian Youth Exchange (ICYE)
New York, N.Y.

Japan-America Student Conference (JASC)
Washington, D.C.

NACEL Cultural Exchange
Duluth, Minn.

National Association of Secondary School Principals (NASSP)
Reston, Va.

National Council for International Visitors (NCIV)
Washington, D.C.

National 4-H Council
Chevy Chase, Md.

Ohio State University Agricultural Intern Program
Columbus, Ohio

Open Door Student Exchange
Hempstead, N.Y.

Partners of the Americas
Washington, D.C.

World Exchange
Putnam Valley, N.Y.

World Experience (WE)
Hacienda Heights, Calif.

YMCA International Program Services
New York, N.Y.

Youth For Understanding (YFU)
Washington, D.C.

Associate Members

Foundation for International Cooperation (FIC)
Rockford, Ill.

The GAP Activity Project, Inc.
New York, N.Y.

Iowa Peace Institute
Grinnell, Iowa

The Lisle Fellowship
Temperance, Mich.

Mobility International USA (MIUSA)
Eugene, Ore.

World College West
Petaluma, Calif.

Youth Network Council of Chicago, Inc. (YNC)
Chicago, Ill.

4.18.89

STATEMENT OF MAJ. GEN. WILLIAM E. POTTS (Retired)

Thank you for allowing me to present a statement in favor of sustaining the United States security assistance program for the Republic of Turkey. I was a commissioned United States Army officer for over twenty-nine years, and my career was largely devoted to Ordinance Corps issues, logistics management and to security assistance in the international environment.

My testimony will assess the defense modernization needs that call with ever-increasing urgency on the limited resources of the Turkish armed forces and clarify the crucial need for U.S. security assistance. I will explore the growing vulnerability and inequities associated with the artificial 7:10 ratio as mandated by the U.S. Congress over the past ten years.

My knowledge of Turkey and admiration for its defense efforts stem from years of experience at different intervals. In 1968, I arrived in Turkey as the Assistant Army Attache for a three year tour of duty. I returned in 1986 as a General Officer to become the Chief, Joint United States Military Mission for Aid to Turkey, and the Senior United States Defense Representative in that country. Upon my return after a fifteen year absence I discovered, as expected, a considerable evolution in the Turkish armed forces. However, I was also shocked at the obsolescence in many key areas.

Particularly worrisome was the large volume of hardware frequently older than the soldiers using it. This antiquated equipment is maintained by heroic mechanics. Their efforts would be the key to the effectiveness of the Turkish military in wartime.

For example, M-48 tanks, used in the Korean War by United States forces, were the backbone of the Turkish Army twenty years ago. At that time they were an adequate match for the T-50 series of Soviet tanks. However, unlike the Turkish military, the Soviets developed better tanks almost twice a decade until the early 1980s. These included the T-60 series, the T-72 series and the T-80 tank. But today, in 1989, the Turks still have only the venerable M-48. The only consolation has been the U.S.-Turkish defense industrial cooperation that upgraded these tanks over the past six years from gasoline powered engines to the less vulnerable diesels with new power trains, advanced guns, fire control and ranging systems at a fraction of cost of new tanks.

Modernization of artillery ranks a close second in priority. In the early 1970s the Soviet Union began to develop and deploy the first of nine new artillery systems, mostly self-propelled. The Soviets completed this process by 1986. When I first arrived in 1968, almost all the Turkish systems were towed pieces from the Second World War and the Korean War. Almost all these antiquated systems remain in the active inventory. Today, in 1989, about 90 percent of the artillery in Turkey date from the early 1950s and before. Moreover, two-thirds of their field pieces are towed systems. These are notably inferior to Warsaw Pact artillery which has greater mobility, speed of operation, range, and lethality. This dangerous disequilibrium will not be redressed until the 1990s when a massive modernization effort should be completed.

A high priority in army modernization is tactical air defense, particularly for mechanized units. Air defense cannon from the forties and fifties represented the major Turkish defense system twenty-five years age. This was supplemented at the time by two battalions of Nike-Hercules anti-aircraft missiles. Upon my return in 1986, I found that many of these gun systems were still in place, in front-line units. These are inadequate except against slow and low-flying aircraft and helicopters. The Nike-Hercules have now been phased out, and the only ground-to-air missiles that the Turks can now deploy consist of a small number of Rapiers and their man-carried systems.

In the mid-sixties the Soviets were developing new families of mobile, tactical-surface-to-air systems. They now possess a variety of weapons that can effectively respond to all threats, from the surface to the highest altitudes. They have guns and missiles at all echelons, from the Company up through the Front/Army levels. The Soviets have an inventory of at least seven modern surface-to-air tactical systems. This does not include the SA-7 and SA-14 man-portable missiles which are being replaced by the SA-16, the Soviet version of our Stinger. The Soviets are already replacing the ZSU-23-4, a system the U.S. Army has been unable to counter or field, with a new self-propelled gun, the M1986. Until the urgently needed Turkish modernization is achieved, this imbalance makes it impossible for the Turkish Land Forces to provide effective air defenses for their tactical echelons. In sharp contrast, Soviet/Warsaw Pact forces will continue to be largely invulnerable to air attack.

Today, armored formations are more mobile, lethal, and have far greater endurance than ever before. Consequently, military planners have attempted to develop new defenses against armor attacks as well as offensive capabilities against infantry. In both key areas helicopters have proven to be an effective weapon. In 1977 the Anti-Tank TOW system was first used by the U.S. Army on the AH1S Cobra. We have also added the Apache helicopter to our inventory. The Soviets have also been improving their fleet of attack helicopters, and now have the HAVOC and the HOKUM in addition to their HIPS and HINDS. These are equipped with new types of guns, rockets and aerial mine options. Most can also be fitted with added armor and anti-missile heat detectors.

Facing this impressive aerial arsenal the Turks stand without attack helicopters and possess only a few transport helicopters. This alarming gap in their forces remains a top priority on their agenda, but levels of funding have been too low to permit the initiation of an attack helicopter program.

Unfortunately, problems also exist in the other services.

In the Korean war, the United States flew F-100 aircraft. These have long been absent from our inventories. In the late 1960s, however, these were still in use in Turkey. They continue to be flown today, a tribute to the ingenuity of the mechanics and the courage of the pilots.

In 1971 the Turks were still using surface combatant ships from the Second World War and the Korean war. Most of these are still in use today, in addition to craft supplied by the Federal Republic of Germany. The Turkish Navy has commissioned new ships, such as the Meko class frigates and small patrol boats and coastal submarines, but a program to continue the line of new frigates has been delayed because U.S. funding is insufficient.

Before my departure in 1971, the Turkish Navy was taking delivery of already outmoded Korean War S-2 Navy Patrol Aircraft, transferred from U.S. inventories. Those twenty Naval S-2s are still flying, kept in service because they represent the chief anti-submarine warfare system of the Turkish Navy. The funds for their replacement with modern equipment simply do not exist.

We must acknowledge the resourcefulness demonstrated in the continued deployment and maintenance of obsolete weaponry; but this is only accomplished at great cost and peril. As the equipment ages, costs associated with maintaining operability increase inexorably. Yet without the option of purchasing new, more effective equipment and the associated lower cost of maintenance, the Turks must continue to make do with equipment that just cannot match the forces against which they may be opposed in the course of their NATO duties.

Despite this combination of factors which might induce severe demoralization in other armed forces, the Turks are dedicated to bringing modern weapons and equipment into their inventory. From 1983 through 1987 Turkey averaged an increase in defense expenditures of 4.4 percent, a figure that the government is pledged to meet into the next decade. In 1988, the percentage was 3.5 percent, well above NATO's target of 3 percent. As a percentage of GDP allocated to defense, this year's sum is an impressive 4.6 percent.

In 1987, the Government of Turkey set up an imaginatively-funded special defense support fund that is to encourage joint ventures and co-production of defense products. To date, such initiatives as the production of armored infantry fighting vehicles, multiple launch rocket systems and munitions are underway. This administration will also seek to soon begin production of low level air defense systems, tactical radios, mobile radars, helicopters and transport aircraft. Funds to initiate these programs are being provided from such sources as luxury and corporate taxes, lotteries, transfers from existing service foundations and realignment of budget allocations.

A major cost to the Turks is the F-16 project undertaken with General Dynamics. This will see the co-production of 160 combat aircraft by the mid 1990s, and already twenty-five are flying with the Turkish Air Force. But this is being accomplished at great cost. The Turks will pay a billion dollars to fund the program over its lifetime, and in addition to this great cost they also must provide $250,000,000 per year in scarce FMS funds. Last year, the F-16 program alone cost them half of all United States military aid. When the considerable maintenance and operations costs already outlined are factored in, little money remains to redress the imbalance faced by the Turkish forces.

The Republic of Turkey is fortunate in having a dedicated military and a pool of conscripts that accept their duty to their country. Turkish defense funds certainly are not squandered on frivolities for their manpower. A Private is paid less than fifty cents a month, and life in Turkish barracks and in the field is without most comforts known in other NATO countries. This army of over half a million men cannot trim personnel costs and amenities, since virtually none exist.

The only way to break the downward cycle of ever less cost-effective defense is to acquire new and more efficient equipment. This will cut the maintenance costs which are presently increasing disproportionately to the defense benefits.

Finally, I must address the 7:10 ratio that has been congressionally mandated for security assistance to Greece and Turkey.

There are irrefutable reasons for reexamination of this ratio. Until the policies of the Greek Government are changed toward harboring terrorists or permitting them their freedom in lieu of lawful extradition, and until the Greek position on base rights with the U.S. is properly resolved, the automatic extension of large sums of security assitance should be reconsidered.

Continuation of the 7:10 ratio in light of these developments would send precisely the wrong signal to any Greek government, even in a caretaker capacity, and to the Greek electorate. That signal is one of insincerity regarding terrorism or our base rights.

Moreover, the existence of the ratio inhibits the allocation of security assistance on the basis of need; and the requirements of the Turkish armed forces are widespread, acute, and clearly demonstrable.

Further, Greece has not even used most of the FMS credits allocated to it in the recent past. While most funds received by Turkey are allocated as soon as they are made available, Greece is reported to have over a billion dollars in uncommitted credits; over $400 million of which are said to date from FY87 and before.

The build-up of these funds, that are clearly viewed as surplus by the Greeks at a time of declining security assistance worldwide, indicates that it is clearly wrong to continue to provide seven dollars to Greece for every ten allocated to Turkey.

Finally, under the provisions of our bilateral Defense and Economic Cooperation Agreement, the "base rights" accord with the Turks that will expire next year, we pledged to devote our best efforts to obtain maximum assistance for the modernization of Turkish forces. The 7:10 ratio, for the reasons I have outlined, is clearly not a manifestation of our best efforts, and is judged by the government of Turkey as such.

I was the Senior U.S. Military Representative to these last base rights renegotiations with the Turks that were concluded in 1986. I can say in all candor that I would not wish to occupy that position in 1990, given the far-reaching implications of this ratio on our bilateral relationship. I therefore respectfully urge this Committee and this Congress to set aside this ratio both with respect to aid levels and within the Southern Region Amendment.

STATEMENT OF FAYE WATTLETON

Thank you, Mr. Chairman. I am Faye Wattleton, president of Planned Parenthood Federation of America, (PPFA) -- the national organization of 176 local, community-based Planned Parenthoods providing reproductive health services and advocacy in 46 states plus the District of Columbia.

I am appearing today on behalf of more than 20,000 volunteers and staff who operate 850 medical centers in this country, our hundreds of thousands of donors and supporters, and the more than two million men and women who are served each year by our clinics. Planned Parenthood's commitment to insuring access to voluntary family planning services dates back more than 70 years in this country. We believe that women and families everywhere -- in the developing world as much as in the United States -- need to be able to determine for themselves whether and when to have children.

PPFA established an international division in 1971, Family Planning International Assistance (FPIA), at the urging of the U.S. Agency for International Development (AID), to translate this principle into practice. Last year, FPIA assisted 140 family planning programs in 35 developing countries, providing contraceptive services to some 1.4 million people, and served over 3 million others through its commodities distribution program.

Population Aid Benefits National Goals and Enhances Child Survival and Safe Motherhood

It is regrettable that the fiscal policies and priorities of the last Administration have resulted in the budgetary chaos that now is eroding the foreign aid program, and humanitarian assistance in particular. Only eight years ago, development assistance constituted 49 percent of total foreign aid spending, with the rest reserved for military aid. Today only 36 percent is devoted to development programs.

Population assistance has long been recognized as an essential component of any development strategy in the developing world. Accordingly, Congress until recently increased appropriations levels each year, reaching a peak of $290 million in FY 1985. U.S. leadership, through its resources, technical assistance and policy guidance, has fostered greater understanding of population problems in the developing countries themselves, creating greater demand for population assistance.

This subcommittee, and particularly you, Mr. Chairman, have consistently supported U.S. family planning efforts overseas. The role of the U.S. in international family planning efforts has never been more critical, especially in view of World Fertility Survey data revealing a substantial unmet need for family planning in developing countries. In Africa, only about 25 percent of women who say they want no more children are using family planning, in Asia 43 percent, and in Latin America 57 percent.

Numerous examples illustrate the dramatic success of population and family planning programs in reducing unintended pregnancies and lowering birth rates, maternal mortality and child mortality in individual countries. In Mexico, AID support through nongovernmental organizations has enabled the Mexican government to aggressively pursue an extensive family planning outreach program. In 1973, Mexico's population was growing at 3.3 percent per year, doubling in 21 years. By the early 1980's, contraceptive prevalence having quadrupled to 42 percent, the growth rate dropped to 2.6 percent. Available data indicates that wider access to family planning has contributed to the fall in maternal mortality rates and has also influenced the decline in the child mortality rate. Continued AID support will be critical in order to provide family planning services in remote areas and to disseminate information to younger couples before they begin their childbearing. These activities are crucial to the Mexican program's further progress. There are many similar reports from other regions of the developing world, illustrating productive partnerships among governments and with private, voluntary organizations such as FPIA in the effort to increase access to family planning.

Ultimately, however, population assistance comes down to the delivery of voluntary family planning services. Individual women and families can reap their own personal benefits from these services totally apart from their governments' development goals.

Greater and more effective use of family planning services would significantly enhance maternal health in the Third World. Based on World Fertility Survey data, it has been estimated that if all women who say they want no more children and are not currently using effective contraception avoided all future births, about one-third of all maternal deaths now occurring in Africa, Asia and Latin America could be prevented. And if more mothers survived, more children would, too. It is not surprising to learn that in Bangladesh, for example, a child whose mother had died also has a 95 percent chance of dying before his first birthday. Child survival and safe motherhood are integrally linked.

Child survival has become the focus of significant efforts in international health. Indeed, dramatic improvements in infant mortality have been achieved through immunization and oral rehydration therapy. Family planning must also be acknowledged as a key component in any child survival strategy. Recent studies in Bangladesh show that family planning programs in that country have had as great an impact on child survival as have all other child health interventions combined. According to a study reported by Johns Hopkins University, half of the estimated 10.5 million infant deaths that occur annually in developing countries could be avoided if women used family planning to space births, to have smaller families and to avoid high risk pregnancies.

In recognition of the great contribution birth spacing can make to child survival, and in response to AID's inexplicable sluggishness in this essential child survival strategy, this subcommittee directed AID to allocate some portion of its appropriation for child survival to birth spacing programs as described in the authorizing legislation. We applaud your commitment to a truly comprehensive and effective child survival program, Mr. Chairman, and we express our hope that you will hold AID accountable to congressional intent in this area. We do not believe that congressional intent is being carried out.

Adequate Funding for Population Account and Protection for Population Assistance in the Development Fund for Africa is Critical

In the last decade, population policies have been adopted by more than 40 developing countries, comprising more than 75 percent of the total population of the developing world. Most are seeking help in implementing these policies through family planning programs, training and technical assistance. Yet, while more and more such requests for aid are made, appropriations have dramatically dropped since FY 1985 from $290 million to $198 million in FY 1989. In addition, AID indicates that this year it plans to allocate about $34 million of the Development Fund for Africa (DFA) to voluntary family planning services out of a total amount of $500 million, although our experience with the DFA so far has shown that determining the actual amount spent by type of activity is difficult.

The total being spent on U.S. overseas family planning programs, then, can only be estimated since there is no accountability under the DFA. As you know Mr. Chairman, Congress has allowed AID to sidestep Congress' original intent to spend a minimum of 10 percent on voluntary family planning. It is disturbing and disappointing that, contrary to the DFA's reason for being, there is less AID support for family planning in Africa now than in FY 1986 before the DFA was created. We strongly urge the subcommittee to reconsider the original reason behind the 10 percent target for family planning and require AID to devote at least this fraction of the total Fund to one of the continent's most basic and vital needs.

The uncertain fate of the DFA monies that are allegedly being spent on family planning and the cutbacks in recent years for the remaining population program account could destroy the program's ability to function. Population, along with most other development activities, is threatened with disproportionate budget cuts due to the squeeze on resources available for foreign aid. Certain foreign aid programs may be subjected to smaller reductions or exempt from any reductions altogether, which will be offset with larger cuts in other programs --including development assistance.

We strongly urge you to restore the FY 1985 funding level of $290 million for population and protect other development accounts from further cuts. We hope the subcommittee will take action to help restore the integrity of a program that has been battered and besieged by the Reagan administration and opponents of family planning in Congress. It is critical that the high quality of U.S.-supported family planning services overseas not be further compromised by either funding constraints, administrative neglect or ideological directives.

Integrity of U.S.-supported Family Planning Services in Developing Countries in Jeopardy

Overall, U.S. budgetary constraints are regrettably exacting a large share from development assistance, population included. The impact is severe -- even, as we discussed earlier, life-threatening. If this were the only burden the program must bear it would be difficult enough. Compounding an already critical problem of inadequate resources, however, is that the program must operate under ideological constraints that undermine its effectiveness.

The Reagan Administration abandoned the longstanding U.S. leadership in international family planning programs. First, it defunded in January, 1985 the International Planned Parenthood Federation - the world's largest provider of primary health care services. On top of that, since FY 1985, the U.S. has not contributed to the United Nations Fund for Population Activities, the world's largest multi-lateral organization providing voluntary population and family planning assistance to developing countries. The Reagan administration tried, but failed, to abridge a well-established ethical standard of health care delivery --the policy of informed consent regarding contraceptive choices. Thanks to the support of this subcommittee organizations that promote natural family planning must continue to provide their clients complete and accurate information about and referral for all other available methods of family planning. We are pleased that the reauthorization bill being considered by the House Foreign Affairs Committee contains language taken from the continuing appropriations resolution of the last three years requiring informed consent. Until it becomes enacted into permanent law, however, we urge you to retain that provision in the annual appropriations for foreign operations.

As you know, the Mexico City policy is still in effect, the new Bush administration having inherited it and accepted it from the Reagan administration. This policy, first enunciated by the Reagan administration as U.S. policy at the International Conference on Population in Mexico City in 1984, prohibits the transfer of any U.S. population assistance to any foreign nongovernmental organization that even with its own funds provides information or services related to abortion -- even if abortion is perfectly legal in that country as it is in the U.S. PPFA is among several U.S.-based groups challenging the legality of the policy and has negotiated an arrangement with AID under a court order to continue to receive USAID support without having to implement the Mexico City policy while the litigation is pending. A parallel lawsuit brought against the policy by the DKT Memorial Fund was heard before the U.S. Circuit Court of Appeals for the District of Columbia just last week. Last June, the Federal District Court here ruled the policy unconstitutional, although AID received permission to continue to enforce it pending the final outcome of the case. Three other major U.S.-based population organizations also have joined the DKT Memorial Fund litigation against the policy: The Population Council, The Pathfinder Fund and the Association for Voluntary Surgical Contraception.

Earlier this year, Reps. Chester Atkins (D-Mass.) and Olympia Snowe (R-Maine) introduced H.R. 720, a bill that would amend the Foreign Assistance Act to overturn the Mexico City policy. It forbids the U.S. government from imposing restrictions on overseas family planning programs that could not be lawfully applied on family planning programs here in this country. Fifty national organizations endorsed this bill and as of last week it had acquired 79 additional cosponsors in addition to Atkins and Snowe.

We realize this issue is properly an authorizing committee matter. We raise it with this Subcommittee since there has not been an authorizing bill enacted into law since FY 1985. As last year, we urge you to consider adopting the Atkins-Snowe bill through the appropriations process. At the very least, we raise it to remind you of the unique constraints that burden the effective operation of the population aid program, which divert enormous amounts of energy and resources away from delivering family planning services towards defending the program's very existence.

At this point we would like to make a couple of comments about the proposed rewrite of the Foreign Assistance Act (FAA) currently being considered by the House Foreign Affairs Committee. We mention this here because we anticipate that, in the event that no authorization bill is ultimately enacted, some of the provisions could yet be incorporated into law by way of the appropriations bill. This was the case, as you know, with the Development Fund for Africa (DFA). And, the DFA appears to be serving as a model for the rewrite effort in many other ways -- most of which are reasons for concern for proponents of the population program.

We preface our remarks by stating clearly that we concur with the apparently universal opinion that the FAA is hamstrung by an infinite number of requirements, conditions, earmarks, etc. We also agree that much of its current structure and orientation is outdated. We do applaud many aspects of the House Foreign Affairs Committee's suggested solutions. The recommendation that Economic Support Funds (ESF), which is essentially political aid, be kept distinct from project-oriented development activities is critically important. Most troubling, however, is the concept of eliminating all functional accounts, including population. Fortunately the committee last month approved an amendment offered by Representative Peter Kostmayer (D-PA), to retain the population functional account. A similar amendment offered by Representative Chris Smith (R-KS) to retain a functional account for health and child survival was also approved.

If the DFA is the model for granting AID more flexibility, we are not confident that the population program would continue to exist in the absence of a specific line item appropriation to be implemented by a specialized staff in the Office of Population at AID. We are perplexed that members of Congress who over the last 30 years have had such little trust in the administration of the foreign aid program (of both political parties) to have accumulated 288 reporting requirements that are imposed upon AID, now believe they can grant AID total discretion.

PPFA is unusual in that it participates in both the domestic and international government-sponsored family planning programs; we can bring our experience on the domestic side to this new question under the FAA. The Reagan administration every year requested the repeal of the categorical Title X domestic family planning program (under the Public Health Service Act) and collapsing family planning services into an omnibus block grant to the states -- to give the states flexibility. Each year, Congress rejected that idea on the grounds that family planning was too important and must be preserved as a separate identity in terms of maintaining its funding, its quality standards and accountability to Congress. We believe that the same standard of accountability should be held for international family planning assistance.

Conclusion

In sum, the population program is now facing perhaps the most critical moment in its history. For several years, it has endured politically-motivated attacks and it survives -- owing largely to its undeniable success and the extraordinary commitment of its supporters and the Congress. The American public support for U.S. family planning assistance to developing countries is reflected in a recent Harris poll on public attitudes about family planning and abortion. The poll shows that 68 percent of those polled believe that population growth is a major cause of food shortages in the developing world; 78 percent support U.S. overseas family planning assistance; and 61 percent favor such assistance even when a developing country also runs abortion programs.

This subcommittee has been key to the survival of the program. To add to that struggle a reduction in funding and possibly eliminating the separate identity of the population program altogether is potentially fatal. At a time when international family planning issues have gained renewed prominence in the context of the debate over addressing the global warming crisis, where even National Geographic (Dec., 1988) and Time (Jan. 2, 1989) identified family planning as central to any strategy to regenerate the world environment, it is difficult to fathom how Congress can allow the U.S. commitment to this program to falter. As Hobart Rowen of The Washington Post wrote on September 15th of last year, "Third World aid without birth control is like trying to pour water uphill." World Bank President Barber Conable told last September's annual meeting of the Bank and IMF that it is "imperative that developing countries renew and expand efforts to limit population growth." Otherwise, in the many countries where population growth exceeds economic expansion, any other aid effectively subsidizes population growth rather than investment. We hope we can count on your leadership, Mr. Chairman, to salvage and strengthen this critical program.

Recommendations

o While we recognize the current budget constraints, we urge you to allocate $290 million for population assistance and adequately fund other humanitarian assistance accounts. Further cuts to these programs would be disastrous.

o We urge you to resist any effort to eliminate the functional accounts for development programs, especially for population.

o We urge you once again to include language preventing AID from funding family planning projects that fail to abide by the "informed consent" provision.

o We urge you to return to this subcommittee's original formulation under the Africa Development Fund that ten percent of the monies appropriated to the Fund be spent on voluntary family planning activities in that region.

o We urge you to instruct AID to revert to its traditional interpretation of the Helms Amendment, and to block AID from imposing restrictions on private voluntary organizations operating family planning services abroad that would be unconstitutional and medically unacceptable in this country. We do not seek at this time to alter the underlying Helms Amendment restrictions on the use of U.S. funds for abortion, but neither should private organizations -- in this country or abroad -- be restricted in their lawful use of their own private resources as a condition of obtaining AID funds.

o Finally, we urge you to revisit the issue of coercion, recognizing that cutting off all funds to UNFPA because of its limited involvement in China, is endangering the UNFPA programs in 133 countries, many of them countries where USAID has nothing at all. (For example, UNFPA has programs in 43 African countries, while AID works in only a handful.) Obviously, no U.S. funds should go to organizations that themselves employ coercive measures, but neither should opponents of family planning be allowed to disrupt and destroy sound and effective voluntary family planning programs by cutting off AID support.

STATEMENT OF JEAN MAYER

Traditionally, universities have been the mainstays of technical assistance programs conducted by the United States. They should continue to be the prime resource, not simply because they are a source of experts but also because with their multi-disciplinary nature they are able to appraise the totality of the impact of programs in ways that consulting groups hired to perform a specific task cannot or will not do.

In order for universities to do their task well, they should be assured of contracts of sufficient duration, they should be encouraged to have enough different contracts so that they can use personnel after the end of a given project, and they should have sufficient overhead to be able to manage the contracts without injury to their own operations. They ought to be allowed to build into service operations some teaching and some research components which would serve the country well in terms of the continuity and the availability of personnel to do technical assistance.

Finally, universities should revise their procedures to make sure that those members of the faculty who engage in technical assistance with teaching and research components and who are productive receive full credit in terms of tenure and promotion and are not at a disadvantage as compared to their colleagues who do not participate in such programs.

STATEMENT OF REV. HAROLD BRADLEY, S.J.

I am Father Harold Bradley, S.J., Special Assistant to the President of Georgetown University. I appreciate the opportunity to testify before this Subcommittee. Let me begin by thanking the Subcommittee for the generous support which you have given to the Central American Scholarship Program (CASP) and the new cost-sharing program, the Cooperative Association of States for Scholarships (CASS).

Under a cooperative agreement with the Agency for International Development (AID), Georgetown University administers these two programs. The University's mission in fulfilling the will of Congress is to provide peace scholarships that serve capable disadvantaged students only. Peace scholars are from Central America and the Caribbean.

The essence of these scholarship programs expressed throughout three phases is to instill attitudes and beliefs of self-responsibility and self-initiative resulting in individual commitment to community and country. Such empowerment is intended to counter long-standing social and cultural patterns of passivity among disadvantaged people.

Experience Commitment, phase one, begins in the home country and includes recruitment, selection and predeparture orientation. Students are introduced to the concept that their participation is part of a highly-structured and integrated transformation process. They begin to grasp the idea that these scholarship programs extend far beyond skill training and in fact embrace the development of new values and new attitudes to foster life-long individual growth and service to community and country.

Experience America, phase two, has three major program components--academic training, experiential opportunities and personal and professional development. These components reinforce self-reliance, self-responsibility, and commitment, providing students a comparison with their home countries, an understanding of U.S. culture and values, and fresh insight about democratic processes and decision making. The intended result, through the context of an academic technical training program, is mutually increased self-awareness, leadership skills and lasting linkages among the Americas.

Experience Responsibility, phase three, guides students toward lifetime commitment to and practice of self-empowerment as an alternative perspective. At the outset they discharge their newly acquired perspective through participation in Georgetown University's Re-entry Program and alumni organizations. In their personal lives, students maintain connections through a support network of friends of the scholarship program to help find jobs, initiate and contribute to community projects, share their technical and leadership skills, thereby multiplying many times the benefits of their experiences--for their family, community and country.

Today 550 scholars are in phase one of the program, preparing by August to live with North American families across the country, learn English, and begin studies at community-based institutions. Another 155 will arrive in the U.S. in January.

Today 330 peace scholars are studying at 16 institutions in nine states. (A list of these CASP institutions is attached.) This includes a group of hearing-impaired students who arrived on March 31 for a two-year program to study computer literacy at Mount Aloysius Junior College in Cresson, Pennsylvania.

Today 552 students have completed associate degree and technical programs. All have returned to their home countries. Thirty-three percent graduated with honors. Approximately 87 percent are employed. Finding jobs in home countries is not automatic because most opportunities are reserved for the privileged. To maintain and improve employment opportunities for current and future alumni scholars, we have developed a support staff. In addition to recruiting and selecting new students, this staff is dedicated to cultivating Georgetown University alumni. Many Georgetown alumni are major employers and reside in participating countries throughout Central America and the Caribbean. They can be effective resources for peace graduates. The graduates themselves have organized CASP/CASS associations in each country to serve as community building support networks that collaborate with Georgetown alumni to expand employment opportunities.

CASP participating countries include Belize, Costa Rica, El Salvador, Guatemala, and Honduras. CASS includes students from these countries as well as from Jamaica, Haiti, Grenada, St. Vincent/the Grenadines, Antigua/Barbuda , St. Lucia, Dominica, and the Dominican Republic.

Unlike CASP, which has been fully funded through AID, CASS is the pilot program in which federal funds will be matched by state and private sector contributions, ultimately enabling twice as many students to be educated for the same federal expenditures. Already twenty institutions in ten states are prepared to receive students in August 1989. These states are: Wisconsin, Florida, Kansas, Maine, Missouri, New Jersey, New York, Oklahoma, Oregon and Washington. These peace scholars will study clothing merchandising, electronics and computer repair, food technology, hotel and restaurant management, small business management, and quality control.

By January 1990, in CASP and CASS combined 552 students will have graduated and returned home, while 1,035 students will be studying at nearly fifty community-based institutions in over 15 states across the nation. These results have been accomplished in less than five years.

CAPS - Panama

Georgetown University is also coordinating the training of students from Panama who are studying for undergraduate degrees in the United States under the Central American Peace Scholarship Program. Of the 235 students who began this four year program since the fall of 1986, 212 are in various stages of study at community colleges and universities throughout the United States. Ninety-six educational institutions in thirty states are participating. Further ten journalists and fifteen English teachers completed short term training and have returned to Panama. The first graduate of the long term training program completed his four year degree this May, with honors, at Widener University in Chester, Pennsylvania.

Sixty additional CAPS/Panama students have completed their English language training and orientation at the Panama Canal College and are ready to depart Panama for their U.S. training. Unfortunately, legislative constraints (narcotic legislation and Brooke-Alexander) prohibit AID from obligating to Georgetown University the funding needed for the U.S. training program for these fine young future leaders of Panama. We urge the Congress to consider providing legislative language to allow AID to fund these participants. We believe this would be an appropriate response to the current crisis in Panama.

Hemispheric Migration Project

In fiscal year 1990 the Hemispheric Migration Project (HMP) will pursue a modest program to inform United States policymakers of the direct implications of HMP sponsored refugee research in Central America. Funded by the U.S. Department of State Bureau for Refugee Programs, through appropriations made in prior fiscal years, the HMP will commission issue papers on Central American economic recovery and refugee assistance. Among the specific areas for which policy will be recommended are refugee integration and development, repatriation assistance, and coping with the massive numbers of undocumented migrants.

Health Care for Refugees

Finally, I wish to express our appreciation to the Subcommittee for its support of the Georgetown University symposium on health care for displaced persons and refugees. This symposium, co-sponsored by the Center for Disease Control, the Intergovenmental Committee for Migration, the League of the Red Cross and Red Crescent, the National Council for International Health, Pan American Health Organization, Refugee Policy Group, United Nations Development Program, United Nations High Commissioner for Refugees in the Near East, Department of State Bureau for Refugee Programs and the United States Public Health Service Office of Refugee Health. The consensus reached at the symposium and the declaration issued by the participants should not only contribute to better health care for refugees and displaced people, but should also lower the cost of delivering these services.

In the name of our President, the Reverend Timothy S. Healy, S.J., I thank you for your support of our programs.

STATEMENT OF HOWARD PHILLIPS

Mr. Chairman, Congress is to be congratulated for having disregarded contrary advice from the Department of State and taken the initiative to encumber additional subsidation of United Nations activities in Namibia in connection with the accords which were concluded among Communist Angola, Communist Cuba, and the Republic of South Africa on December 22, 1988.

The DeConcini-Helms amendment to the supplemental appropriation bill, even as modified in conference, serves to insure that the United States will retain some leverage to provide that implementation of the Brazzaville decisions does not inevitably result in the imposition of a Communist government in Namibia and the consolidation of a Marxist-Leninist regime in Angola.

Without the DeConcini-Helms amendment, there would be far less basis for optimism. Already the Cuban and Angolan governments have, prior to April 1, neglected their obligation to assure that armed SWAPO forces be kept north of the 16th parallel.

Moreover, the United Nations has continued to demonstrate partiality to SWAPO, both rhetorically and substantively, and there continues to be considerable disagreement about the exact number of Cuban troops based in Angola.

In addition, reports of chemical warfare use by the Communist forces arrayed against Jonas Savimbi's UNITA freedom fighters have found increasing corroboration and confirmation.

As worked out in conference committee, before additional funds are released to the United Nations for purposes of implementing the Angola/Namibia accords, the President must certify, inter alia, that:

1) the armed forces of the South West Africa Peoples Organization (SWAPO) have left Namibia and returned north of the 16th parallel in Angola in compliance with the agreements;

2) the United States has received explicit and reliable assurances from each of the parties to the bilateral agreement

that all Cuban troops will be withdrawn from Angola by July 1, 1991, and that no Cuban troops will remain in Angola after that date;

3) that the Secretary General of the United Nations has assured the United States that it is his understanding tha all Cuban troops will be withdrawn from Angola by July 1, 1991, and that no Cuban troops will remain in Angola after that date;

4) that each of the three signatories to the tripartite agreement is in compliance with its obligations under the agreement;

5) that the government of Cuba has complied with its obligations under Article I of the bilateral agreement relating to the calendar for redeployment and withdrawal of Cuban troops, specifically with respect to its obligations as of August 1;

6) that the Cubans have not engaged in any offensive military actions against UNITA, including the use of chemical warfare;

7) that the United Nations and its affiliated agencies have terminated all funding and other support to the South West Africa Peoples Organization (SWAPO); and

8) that the United Nations Angola Verification Mission is demonstrating diligence, impartiality, and professionalism in verifying the departure of Cuban troops and the recording of any troop rotations.

In addition, the Secretary of the Treasury is required to instruct the U.S. executive directors to the International Monetary Fund and the International Bank for Reconstruction and

Development (also known as the World Bank) to vote in opposition to the entry of the government of Angola into these financial institutions, or to approve any loans to Angola, unless the President certifies to the appropriate Congressional committees that progress is being made toward national reconciliation.

The DeConcini-Helms amendment further stipulates that "the United States should provide appropriate and effective assistance to UNITA until a national reconciliation agreement has been implemented."

As originally drafted, the Brazzaville accords were tilted strongly against America's vital interests. U.N.-supervised elections in Namibia are likely to lead to the installation of a Soviet-allied SWAPO government. Namibia's Caprivi Strip, bordering southern Angola, previously available as a logistical support base for Jonas Savimbi's anti-Communist UNITA freedom fighters, would, in such circumstances, become a Communist, rather than a free world, asset.

The consequent diminished capacity of UNITA to seek self-determination and free elections from a position of strength would, in all likelihood, lead to a consolidation of Communist control of Angola, which, in turn, affects the regional correlation of forces regarding Botswana, Zaire, and the Republic of South Africa.

Although the fundamental problems with the Brazzaville accords have not yet been addressed, the funding conditions attached to the supplemental appropriation bill enhance the ability of the United States to overcome ambiguities in the accords which favored our nation's enemies, and to encourage compliance with those provisions of the accords which have hitherto been disregarded.

STATEMENT OF THE AMERICAN LEGION

Mr. Chairman and members of the subcommittee, The American Legion welcomes this opportunity to present its views in support of full funding for foreign aid. Our nearly three million members believe that foreign aid is a necessary and effective tool of U.S. foreign policy. When administered with foresight, honesty, and prudence, foreign aid helps to increase economic development, stabilize economies under stress, relieve human suffering, and bolster self-defense capabilities of our friends and allies. A frequent by-product of foreign aid is adoption of some tenets of a market economy as recipient nations become aware of the increased productivity brought about by fostering private initiative and competition through free enterprise and competition.

We urge full funding of the foreign aid request for FY 90 as stated in the Administration's "Congressional Presentation":

Multilateral Assistance	$ 1,846,384.000
Bilateral Assistance	6,720,065,000
Military Assistance	5,841,477,000
Food Assistance	930,945,000
	$ 15,338,870,000

We believe the foregoing request represents the absolute minimum funding required if US national interests are to be protected.

Some Americans view foreign aid only as a "give away" that unnecessarily drains resources which could be put to better use here at home to relieve unemployment, increase welfare, or aid community development. Actually, foreign aid has a real, net positive "pay back" to our country. First and foremost is the fact that foreign aid helps protect our national security by giving our friends and allies the military equipment, supplies, and training to provide for their own security. This in essence provides a first line of defense for the United States outside our borders. It economizes on the use of U.S. armed forces and helps other countries fight their own battles rather than relying on the youth of America to defend them. Economic assistance fosters economic development in the Third World and brings hope to aspiring peoples. By increasing prosperity in needy lands, foreign aid creates new markets for sale of U.S. exports. The export sector is becoming increasingly important as the Free World international market becomes more integrated and competitive. Overall, about 70 percent of US bilateral foreign aid is spent on purchases of American goods and services. Similarly, about 50 percent of our multilateral aid returns to our shores. Third World countries purchase about one-half of American exports of grains and cereals. In the overall agricultural sector, about 40 percent of total U.S. exports are sold to the developing countries.

Since World War II, US foreign aid has helped many countries modernize their economies and become productive participants in the Free World international economy. Prime examples are Mexico, Brazil, Taiwan, and the Republic of Korea. As these nations have increased their productivity, they have helped to raise the overall standard of living in the Free World.

Compared to other types of spending, the U.S. foreign aid program is relatively modest and accounts for about one cent of each budget dollar spent. On a per capita basis, the United States ranked 13th in the list of development aid donors in 1987, giving $40 per capita annually while the leader (Norway) gave $191. American development aid has declined by about 40 percent since 1962. Then, it accounted for 59 percent of total worldwide development aid; by 1987 it had dropped to 22 percent of the total.

In some recent years, Congressional budget cuts and Gramm-Rudman-Hollings reductions have significantly trimmed Administration requests for foreign aid. Since Congress also earmarks aid for certain countries like Israel and Egypt, cuts imposed in aid programs for some other countries have been very large. Reductions in foreign aid seriously interfere with the effective conduct of U.S. foreign policy. The savings achieved by such cuts are marginal when measured against the overall U.S. budget, yet they have a profound and lasting impact by further reducing U.S. reliability as an ally.

Of particular concern have been the recent significant reductions in U.S. foreign aid to key allies or countries which provide base rights to the U.S. armed forces. Such bases are a vital part of U.S. forward defense in conjunction with the North Atlantic Treaty Organization and our other allies. Although U.S. foreign aid to the base rights countries is not considered as "rent" for the bases, the Executive Branch has pledged to make a "best effort" to persuade Congress to appropriate specified levels of foreign aid over a specified time span.

Considering four principal countries in this category (Greece, Pakistan, Portugal, and Turkey), U.S. "best effort" pledges are generally recognized to total about $2.2 billion annually. In FY 88, the Administration's request was 4 percent below that amount, and appropriations fell 30 percent below the request. In FY 89, the budget request was 21 percent below the pledged amount, and appropriations were 8 percent below the request. The FY 90 foreign aid request falls 19 percent below the target amount. In order to retain reliability as leader of the Free World, the United States must honor its pledges--particularly to our key allies. In this regard, before future "best effort" pledges are made, the Administration should consult closely with the Congressional leadership and develop a bipartisan position that can be honored over a number of years.

It is also very important to maintain progress toward democracy in Central America by providing adequate foreign aid. U.S. diplomacy and foreign aid have been instrumental in helping democracy take root in Central America during the last few years. Now, Nicaragua is the only non-democratic regime in the region. Since 1984, the United States has made a long-term commitment to assist democracy in Central America through the Jackson Plan, which resulted from the deliberations of the National Bipartisan Commission on Central America. To date, overall aid to the region has fallen somewhat below projected Jackson Plan funding. Any further reductions would seriously disrupt the entire program. Over the past three years, foreign aid for Costa Rica, El Salvador, Guatemala, and Honduras has stabilized at levels approximately 15 percent under those envisioned in the Jackson Plan.

U.S. AID TO CENTRAL AMERICA
($ Millions)

	FY 88 Actual Obligations	FY 89 Estimated Obligations	FY 90 Request
Costa Rica	106	114	85
El Salvador	402	395	387
Guatemala	147	153	159
Honduras	198	179	207
Total	853	841	838

Except in Nicaragua, freedom-loving Central Americans have made remarkable progress in recent years toward establishing more responsive, democratic governments. The United States must continue providing reasonable levels of assistance to help our Central American friends improve their economies as the indispensable base for consolidation of democracy and maintenance of security.

We are very pleased to see an upward trend in aid to the Philippines. It increased 84 percent from FY 88 to FY 89. A further jump of 35 percent is requested for FY 90. The FY 90 request for the Philippines includes $200 million for the Multilateral Assistance Initiative. Other donors will join with the United States in this initiative, including Japan, the World Bank, and the International Monetary Fund. This broadly based effort is an excellent example of improved burden sharing by our allies and international institutions. The initiative should play a major role in helping the Philippines consolidate democracy, institute needed economic reforms, improve infrastructure, encourage growth of the private sector, and attract foreign investment.

Although the foreign aid program has generally served U.S. national interests fairly well for several decades, like any large undertaking it can benefit from a thorough review and updating. We believe the several studies of the foreign aid program recently completed by governmental and private bodies serve a very constructive purpose. The innovative ideas recommended by the House Foreign Affairs Committee Task Force report and the other studies can serve as the basis for a searching review of the U.S. foreign aid program. While all of the studies do not agree on the problem or the prescription, they do offer a starting point for development of a bipartisan consensus. Certain ideas merit further study: writing a new foreign aid law; clearly defining foreign aid objectives; streamlining U.S. Government organization for foreign aid; focusing foreign aid on encouragement of democracy and private enterprise; using foreign aid leverage to induce recipients to follow sound economic policies; and seeing that foreign aid goes to friendly nations, not to those who oppose U.S. principles and policies.

In its 1983 report to the President, the bipartisan Carlucci Commission (Commission on Security and Economic Assistance), which involved significant Congressional participation, concluded: "On balance....U.S. assistance programs make an indispensable contribution to achieving foreign policy objectives." The American Legion warmly embraces that position and encourages Congress and the Administration to join in a bipartisan effort to achieve U.S. foreign policy goals through a strong and well-administered foreign aid program.

STATEMENT BY CHAMBERS ASSOCIATES INC.

STRUCTURES AND CAPITALIZATION FOR INTERNATIONAL DEBT REORGANIZATION FACILITIES: RECENT COMPREHENSIVE PROPOSALS

INTRODUCTION

Since the Third World debt crisis began with the announcement by Mexico in August 1982 that it was suspending payment on its foreign debt, debate over an appropriate response has flourished within the international community and within the United States.

The current response by policy makers, the case-by-case approach, was first announced and articulated by U.S. Treasury Secretary James Baker in October 1985 at the Annual Meeting of the IMF and the World Bank in Seoul. The Baker Plan outlined steps intended to provide sustained economic growth in the debtor nations and to allow them to grow out of their debts. As part of the plan, the Reagan Administration proposed an expansion of lending by the World Bank and regional development banks, which would in turn stimulate additional commercial lending. Since 1987, the Baker plan has been articulated more thoroughly by the addition of the "menu approach" which suggests a variety of methods for bridging debt service crises.

Since the onset of widespread recognition of the debt problem, numerous observers, primarily academic and private rather than official, although including some prominent members of the U.S. Congress, have advocated more comprehensive approaches, many of which would involve a central function for arranging principal and interest rate reduction. Since the Baker Plan has not led, as anticipated by its designers, to a resumption of adequate development lending, and debtor countries and commercial banks are suffering from, respectively, adjustment and lending fatigue, debate over alternatives has increased.

Currently, there is evidence that a consensus, not always publicly expressed, is emerging within certain key international and U.S. policy-making bodies and within the private sector, that a comprehensive international debt reorganization facility needs to be established. With the passing of the U.S. Presidential election and the elevation to the office of George Bush, some observers are suggesting that a fresh look may be taken at adding to the Baker Plan "menu" a debt discount facility. This paper discusses the alternative ways in which a debt facility could be structured and capitalized, and the amounts of capitalization that would be necessary.

CONGRESSIONAL DEBT RESTRUCTURING PROPOSALS

The Omnibus Trade and Competitiveness Act of 1988 (Public Law 100-418) contained sections advocating the establishment of an International Debt Management Authority (IDMA). The Secretary of the Treasury is directed to undertake two interim studies (due in February 1989 and August 1989) and a final study (date not specified) of the feasibility and advisability of a debt management facility, and then to proceed with negotiations as the Secretary deems appropriate to establish such a facility, unless the Secretary certifies certain findings to the contrary. The Trade Act authorizes the IDMA to purchase third world loans from banks at a discount, renegotiate the terms of the loans with the debtor countries, aid banks in the voluntary disposition of their loans, and encourage trade surplus countries to increase their investments in debtor nations.

Each debtor nation would be required to submit an economic management plan, to be approved by the IDMA, to ensure that an appropriate development strategy is undertaken by the debtor country to meet its restructured debt obligations.

Once the loans are purchased, the IDMA would have the option to sell the debt to the developing country at its discounted price, swap the debt for equity assets of the debtor country, repackage the debt instruments into marketable securities and sell the securities on the secondary market, or hold the renegotiated debt as the creditor of the debtor country.

The legislation also authorizes the Comptroller of the Currency, the Federal Reserve System and the Federal Deposit Insurance Corporation to undertake studies (due in February, 1989) on regulatory obstacles to debt reductions.

According to its chief sponsors, the Third World Debt Management Act represented a coalescing of the legislation of Rep. Bruce Morrison (D-CT) and Rep. John LaFalce (D-NY), and Senator Paul Sarbanes (D-MD). The sponsors also note participation by key House Banking Committee members Walter Fauntroy (D-DC), Robert Garcia (D-NY) and Charles Schumer (D-NY). The Committee Report acknowledges that the international facility concept was put forward by Professor Peter Kenen of Princeton University in 1983.

The Trade bill legislates a break from the Baker Plan in U.S. policy toward LDC debt. However, the legislation recognizes the lead role by the Secretary of the Treasury in formulating the details of a plan that includes a new international entity to aid in restructuring LDC debt. For this reason, aside from the broad incentives for debtor countries to reduce their service burden, for commercial lenders to reduce their LDC debt exposure and minimize their tax and portfolio valuation losses over time, the Congressional passed legislation leaves the details of specific incentives and transactions to further study and proposal by the Treasury and other federal agencies and provides an escape clause should the Secretary determine and justify in the interim and final reports that action to establish an IDMA would be detrimental to resolving the international debt problem.

The substantial U.S. Congressional interest and action toward creating a debt facility point up the sharp division that exists within U.S. government policy-making bodies on this issue, with Congress moving toward a consensus counter to the official policy developed during the Reagan Administration.

Both the House and Senate Banking Committees, through their appropriate subcommittees, have conducted additional oversight hearings over several days during the summer of 1988, which included a focus on "New Directions for Dealing with the International Debt Problem". These hearings and the provisions in the Trade Act establishing policy reporting requirements for the Treasury Secretary can be expected to have a significant influence on the Bush Administration and form the basis for future Congressional action.

Various influential individuals from constituencies affected by the international debt problem have recently offered detailed proposals for comprehensive debt reorganization.

The proposals discussed in this paper include:

1) Creation of an independent voluntary, international debt reorganization facility proposed by James D. Robinson, III, Chairman of the American Express Company (Robinson, 1988);

2) Creation within the IMF of a voluntary Debt Adjustment Facility proposed by Arjun K. Sengupta, IMF Director (India) (Sengupta, 1988);

3) Creation within the IMF of a debt facility with authority to compel cooperation proposed by Congressman Donald J. Pease (Pease, 1988);

4) Creation within the World Bank of a debt facility to purchase a targeted percentage of debt, which was circulated internally in a U.S. executive branch agency (Unpublished paper, 1987-1988);

5) Creation of a debt reorganization function within the World Bank to be backed by a new affiliate agency to repurchase IBRD debt, proposed by Eugene Rotberg, Executive Vice President of Merrill Lynch

and Company and formerly Vice President and Treasurer of the World Bank (Rotberg, 1988);

6) Facilitation of renegotiation of debt between banks and debtor countries according to a ten point plan proposed by C.E.D. Ritchie, Chairman and CEO of the Bank of Nova Scotia (Ritchie, 1988).

THE INSTITUTE OF INTERNATIONAL DEBT AND DEVELOPMENT

The Institute of International Debt and Development (the Institute or I_2D_2) is the name offered for the debt reorganization facility proposed by American Express Company Chairman James D. Robinson, III. The I_2D_2 proposal is the first plan describing comprehensive international debt reorganization that adds substantive detail to how such a facility would be structured and that pays careful attention to the proper mix of incentives for both debtor nations and creditor banks. The I_2D_2 plan, which was offered by Robinson as an example of the type of approach needed, advances the debate considerably by describing the financial instruments providing these incentives and the duties and responsibilities of a new debt reorganization facility.

CHARACTERISTICS

Organization. I_2D_2 would be formed by a number of large industrialized countries ("Sponsoring Governments") to acquire, at a substantial discount, the sovereign debt of the heavily indebted, lesser developed countries that elect to participate (the "Participating Countries") from the financial institutions, (the "Banks"), that currently hold it. The Institute would be an independent entity jointly managed by the IMF and the World Bank.

Capital Structure. Sponsoring Governments would purchase common stock in the Institute using paid-in and callable capital contributions. The amount of common stock purchased by Sponsoring Governments would equal a one-year reserve on interest payments on the debt purchased by the Institute. In addition, Sponsoring Governments would agree to purchase additional stock if the Institute experiences difficulties in servicing its debt.

If all 17 of the most heavily indebted countries participated and the average discount was 40%, their $250 billion in debt held by private financial institutions would be purchased by the Institute for $150 billion. The Institute would provide $125 billion in consols (bonds with no fixed date for repayment of principal) and $25 billion in participating preferred stock to the banks to acquire the $150 billion in debt. If fewer countries participated, the program would be smaller. The interest rate on the consols would be equal to the LIBOR rate, capped at 10%.

Agreements with Participating Countries. The Institute would negotiate participation on a country-by-country basis. Each Participating Country would be eligible for debt relief concessions if it agreed to continue economic structural adjustment efforts (updated as necessary), and to provide a positive cash flow on their debt acquired by the Institute. The initial debt relief agreement would be tied primarily to interest rate reductions. However, concessions could be related to interest rate, principal or both.

Transactions with Banks. The Institute would acquire a Participating Country's debt from the Banks in exchange for a combination of participating preferred stock and consols issued by the Institute. Although there would be no fixed date for repayment of principal, the consols may be redeemed as the Institute builds up reserves.

Participating preferred stock would be country-specific and would entitle the Banks to a share of the Institute's positive cash flow from collections of interest from the Participating Countries. Conversely, if the Institute in future years does not receive a positive cash flow on the debt of a particular country, the banks holding participating preferred stock tied to that country's debt will not receive a return on that stock.

THE INSTITUTE'S PARTICIPATION INCENTIVES

The I_2D_2 plan offers effective incentives to participate to each of the three major parties: 1) the LDC debtor countries, 2) the creditor commercial banks, and 3) the sponsoring governments.

Debtor Countries. The greatest incentive provided by the Institute for participation by debtor countries is the prospect of significant debt burden relief through interest-rate and principal reduction. The Institute's flexibility to provide principal and interest rate concessions to participating countries, both initially and in the future if circumstances warrant further debt relief, flows from the substantial discount at which the Institute purchased the debt. An additional incentive for debtor countries is provided by subordinating existing debt so that new funds can be made available, at least on a short-term trade and project finance basis, to provide access to the resources necessary for renewed economic growth.

After payment of expenses, interest on the consols, replenishment of the reserve fund and payments for any Sponsoring Government preferred stock, the Institute would use its excess cash flow for payment of dividends on the bank's participating preferred stock and repurchase of consols. The structure of the Institute's financial commitments provides the flexibility to make available a considerable range of concessions beyond the initial discount, if needed, to provide to debtor countries.

Creditor Banks. Creditor banks would be able to obtain a stable asset after considerable discount. The discounts will be arrived at through a consistent, rational mechanism. If there is a divergence between a debtor country's ability to meet debt service requirements and the creditor bank's perception of the value of the loan, a lower amount of consols (with obligatory payments) and a higher amount of participating preferred stock (with contingent payments) would ensure the cash flow of the Institute while entitling the participating banks to a higher share of any improved collections resulting from the debtor country's economic recovery.

The plan also envisions that governments in which the creditor banks are located will provide a regulatory framework that allows banks to defer losses over a period of time to mitigate the impact on the institutions' financial base. After general agreement between the major participants, it is anticipated that banks retaining their loans will receive payment on their loans "only to the extent that the debt" held by I_2D_2 is paid. This privately held debt will not become senior to I_2D_2 debt. Alternatively, debtor countries may issue to non-participating banks "exit bonds" that are less in market value than the price offered by I_2D_2. In addition, the regulatory agencies of sponsoring governments would require non-participating institutions to write down the value of their loans to current market value, to be at most the bid of I_2D_2 or lower, possibly approaching the price bid on the secondary market.

The plan stresses that there must be "a reasonable degree of consensus among the major financial institutions currently holding the debt" before the I_2D_2 and the regulatory agencies would move forward with the plan and implement the above steps.

The plan therefore is voluntary up to the point that a majority of banks agree to sell their loans at a discount. Because of the steps listed above, however, banks will be compelled to recognize a change in value. They will not be able to hold the loan at par and expect full payment.

Sponsoring Governments. The initial purchase of the debt places the burden of discount on the creditor banks rather than the Sponsoring Government. Since significant concessions will be available, the debt service burdens of debtor countries will be reduced to their ability to pay. Debtor countries will be induced to renew and accelerate implementation of market-oriented policies, tariff reductions, changes in investment laws, and other structural economic reforms all of which foster long-term economic growth, the ultimate goal leading sponsoring governments to participate.

How the facility functions, and how much funding will be required to capitalize will be key factors in whether or not a Sponsoring Government can politically sustain the arguments in favor of financial sponsorship.

CAPITALIZATION OF THE INSTITUTE

The I_2D_2 plan requires capitalization of the Institute with a combination of paid-in and callable capital which would be used as a direct guarantee of interest payments for a fixed period of time. The purchase of the debt from creditor banks would be a closed transaction with leverage arising from the special nature of the consols (which require no payment toward principal and have no fixed date for repayment of principal). The I_2D_2 plan would require a maximum of $12.5 billion in paid-in and callable capital for the one-year reserve on interest payments for the consols, assuming full participation by all 17 of the heavily indebted countries. The capitalization required is estimated at 10% of the debt to be purchased, or the maximum interest obligations of I_2D_2 in one year. If fewer countries participate, the capitalization would be less, corresponding to the level of debt purchased by the Institute.

Assuming the maximum capitalization of $12.5 billion, a 20% U.S. share and 10% of the capital to be paid-in with 90% callable, the total U.S. contribution to the Institute would be $2.5 billion, with a paid-in contribution of $250 million and the balance of $2.25 billion in callable capital. The paid-in portion would require both Budget Authority and Outlays in the U.S. Budget, while the callable capital would be scored as Budget Authority only. This level of commitment is consistent with the level of U.S. commitments to other international institutions.

The I_2D_2 plan also would require designation of additional callable capital to cover commitments by Sponsoring Governments to purchase additional sponsor preferred stock in the event of a short-fall of interest received by the Institute below the interest due to be paid on consols. From a U.S. budgetary perspective, it would be necessary to quantify this U.S. commitment in order to provide for the necessary callable capital in the budget and appropriations process. Assuming a scenario of a moratorium on interest payments for 3 years on 50% of the debt, Sponsoring Governments would commit to purchase sponsoring preferred stock (after exhaustion of the $12.5 billion reserve fund, which would take two years) of an additional year of interest in the amount of $6.25 billion ($125 billion x 50% x 10%). A 20% U.S. share would require $1.25 billion in callable capital to provide the interest guarantee. This example assumes that all 17 countries are participating. A smaller program would reduce the callable commitment.

The advantage of using consols and a limited guarantee of interest payments by Sponsoring Governments is that Sponsoring Government exposure is limited, initial capital requirements are less, and the Institute retains the overall incentive to provide only prudent concessions that do not damage its balance sheet over the medium or long term.

The I_2D_2 plan for capitalization offers important advantages. The amount of capital needed to finance the Institute's purchase of the debt is politically feasible. The Institute also does not constitute a bank bailout since the banks that currently hold the debt will hold the instruments used to purchase the debt, and those instruments require no repayment on principal and require interest payments at a rate substantially discounted from what the banks are currently charging.

The I_2D_2 proposal creates an independent entity but utilizes the existing management resources within the IMF and the World Bank--clearly an advantage for the Institute. Other proposals have envisioned creation of a debt restructuring agency within an existing multilateral financial institution. Proposals to accomplish debt reorganization through both the World Bank and the IMF have been circulated and discussed in policy circles and are addressed later in this paper. It also would be possible to structure indirect financial backing for I_2D_2 through the IMF General Resources Account.

IMF BACKING FOR I_2D_2

A special facility within the General Resources account of the IMF could be created concurrently and in tandem with the proposed debt-restructuring Institute. The Institute could require that a debtor country have in place a structural adjustment agreement with the IMF that specifies certain steps toward economic adjustment as a prerequisite for participation. The participating country could then draw on this new facility (which could be called the International Debt and Development Facility, or ID_2F, to match the Institute) as needed for short- and medium-term assistance in meeting balance of payments, specifically in this case for balance of payments problems which inhibit meeting payments to the Institute on the restructured debt.

Providing a closer relationship between the Institute and the IMF within the current charter of the IMF could be expected to result in a closer tie between the awarding of concessions by the Institute and IMF structural adjustment programs. This should increase the creditworthiness of the participating countries and catalyze the access to private capital needed for economic growth.

In general, the rules governing access to the IMF's General Resources apply uniformly to all members so that all members may have equal access. Despite this requirement, the Fund has created certain special facilities, such as the Compensatory Financing Facility for shortfalls in export earnings and the Buffer Stock Financing Facility, which are of primary benefit to developing member countries, even though rules for the facilities allow access that is open to all members.

The Supplementary Financing Facility is an example of an IMF facility created for a specific purpose but managed within the General Resources account. It was established to address the needs of members who faced serious balance of payments imbalances that were large in relation to their quotas. The facility, as with other IMF General Resources facilities and policies, was not concessional. The Supplementary Financing Facility which was available for drawing from 1979 to 1984 was financed by borrowing from 14 countries or central banks.

The new IMF/ID$_2$F facility could be patterned after the Supplementary Financing Facility as a special purpose facility, tied to a serious balance of payments problem, and financed by borrowing from certain countries.

Capital Structure of IMF/ID$_2$F. Sponsoring governments which agreed to supplement IMF General Resources in an amount necessary to fund the new ID$_2$F facility would receive an increase in their drawing rights equal to their payments to the IMF. This new facility would substitute for a portion of the paid-in and callable capital envisioned in the original I$_2$D$_2$ plan by providing an additional source of short- to medium-term lending to cover interest payments to the Institute. Initial direct capitalization of I$_2$D$_2$ could be reduced considerably if participating countries also had access to a new IMF/ID$_2$F Reserve Facility. The ID$_2$F would provide additional time to implement IMF structural adjustment programs, and would continue the link between debt relief and successful structural adjustment.

Potential for Additional Subsidy Through the IMF. Article V, Section 12 (f) (ii) and (iii) of the IMF Articles of Agreement allows the Fund to make balance of payments assistance available on special terms to "developing members in difficult circumstances, and for this purpose the Fund shall take into account the level of per capita income." The assistance under this article is outside the General Resources and is offered through its "Administered Accounts" that are funded not directly from quota subscriptions, but rather from the profits on the sale of gold assets of the Fund or from grants provided by individual members.

If additional concessions prove necessary to accomplish structural adjustments in addition to any additional concessions which I$_2$D$_2$ might offer, they could be provided through creation of an IMF-sponsored ID$_2$F Subsidy Facility associated with the proposed ID$_2$F, which would be available to those countries continuing to experience difficulties in making payments to the Institute. If the U.S. were to contribute to create a subsidy account, the amount contributed would be scored as both Budget Authority and Outlays in the U.S. Budget.

IMF Quota Increase. The proposed IMF/ID$_2$F facility would be created through voluntary contributions of capital to the General Resources Account by certain industrialized countries. It could be argued that a special facility is not needed and that the balance of payments assistance envisioned could be carried out by the IMF through its existing facilities. The additional resources needed for this purpose could be provided through an IMF quota increase, or through existing resources if the judgment is made that the IMF currently has sufficient resources to fund all its normal activities plus an enlarged role in assisting LDCs.

SENGUPTA PROPOSAL FOR DEBT ADJUSTMENT

Background. A proposal to create a Debt Adjustment Facility within the IMF was recently circulated internally within the IMF as a discussion draft and was published in the June issue of World Economy. The proposal was developed by Arjun K. Sengupta, IMF Executive Director (India). This proposal is currently in the discussion stage and does not reflect an official IMF position.

Organization. Sengupta's proposed Debt Adjustment Facility (DAF) would acquire the debt of the heavily indebted countries that choose to participate at a discount from the financial institutions. Sengupta argues that such a role for the IMF would be in the "true spirit of its Articles of Agreement". He is silent, however, on the need to amend the Articles to enable the fund to take on the debt restructuring role directly.

Capital Structure. The DAF would acquire the debt through issuance of its own bonds which it will exchange at a negotiated price for participating country debt held by a creditor institution. The value of the bank debt in the secondary market would be considered in establishing the price. Sengupta notes that there is no actual new cash required in this transaction. The contracting country would accept an obligation to make payments on its debt but at a substantially lower rate than originally contracted with the banks; these payments would be at a sustainable level in relation to the country's GDP. The creditor banks would accept a reduction on their books in the value of their assets, a reduction already reflected in the market and in the value of their stocks. The IMF Debt Adjustment Facility would accept some contingent liability to make interest payments to the banks if the contracting country fails to meet its payment obligation to the Facility. In these aspects, the Sengupta and I_2D_2 proposals are very similar.

The Sengupta and I_2D_2 proposals are also similar in another key aspect. The primary contingent liability of both the Institute and the Facility is the value of the annual interest payment, not the principal. In the I_2D_2 proposal there is no commitment to pay the principal on the consols if payments by the debtor countries to the Institute are sufficient only for payments toward interest. Unlike the consols issued by I_2D_2, however, the principal under Sengupta's plan on the DAF debt would be repayable in 15-20 years in a lump sum payment at maturity, and sponsoring governments would have a contingent liability on the DAF's ability to pay the principal.

Assuming $250 billion in commercial debt is purchased at a 40% discount for $150 billion and that amount is repayable as principal in 20 years, a capital investment of $25.8 billion in zero coupon bonds compounding semiannually at 9% interest would provide the $150 billion to repay principal at the end of the 20 years. If countries representing one half of the $150 billion in debt pay the DAF interest and principal, a capital investment of $12.9 billion would cover the principal repayment on the remainder in 20 years. A U.S. share of 20% of the capital investment would be $2.6 billion, of which 10% or $260 million could be paid-in capital and $2.3 billion in callable capital.

Both the Sengupta and I_2D_2 plans set interest at a rate considerably lower than that currently paid to the banks. I_2D_2 ties interest in general to the LIBOR Rate with no spread and capped at 10%, while Sengupta ties interest to the IMF SDR interest rate. Both suggest flexibility on a country-by-country basis in setting interest rates; for instance, rates could be pegged to export earnings of the country.

Sengupta proposes that industrialized countries capitalize the DAF in a manner that protects annual interest payment by investing in annuities constructed to be used as collateral for the interest payments. Sengupta does not quantify the level of capitalization needed, but since the annuities are backing just for interest payments, the obligation by sponsoring governments would be comparable to the capitalization necessary for assuring interest payments on the consoles used by the I_2D_2. A reasonable assumption for total capitalization of the Sengupta proposal to cover DAF obligations then is $12.5 billion for interest (the same as I_2D_2) and $12.9 billion for principal repayment as noted above. The $25.4 billion capitalization total would be borne in appropriate shares by the governments sponsoring the DAF. Sengupta also does not identify which countries will provide the capital. He does suggest that Japan would be expected to take a major share of the contingent liability.

Participation Incentives. The incentives for the debtor countries, creditor banks, and sponsoring countries which will capitalize the facility are similar to the incentives outlined for the Robinson plan since the two proposals are conceptually similar. The Sengupta requirement that sponsoring governments accept contingent liability on the principal as well as on interest could influence a government's willingness to provide capital.

THE PEASE PLAN

U.S. Congressman Donald J. Pease also has proposed that a new LDC debt reorganization facility be organized within the International Monetary Fund. The Pease proposal is more pro-active than some debt plans in that it relies less on voluntary means and provides additional authority to compel cooperation.

Organization. Pease proposes amending the IMF Articles of Agreement to allow a debt facility within the IMF. Amendments to the Articles require approval by the Board of Governors, followed by approval of 3/5 of the member countries and 85% of the total voting power. This IMF Special Facility "would issue its obligations to the creditor banks in exchange for the sovereign debt of the 17 highly indebted developing countries." The Special Facility will be managed as a new function of the IMF.

Capital Structure. Pease suggests that there is sufficient liquidity in the existing currency and gold reserves of the General Resources of the IMF to purchase LDC debt at a discount from creditor banks without any augmentation through a quota increase or special borrowing arrangements. The Special Facility "would service its debt to the banks by earmarking the funds it collects on the LDC debt that it receives in the exchange."

The amount of the discount would be determined by the Secretary of the Treasury in consultation with bank regulators and the IMF. Pease suggests that the discounts would be about 45%. Pease does not address how the U.S. Secretary of the Treasury would coordinate this determination with that of his counterparts in other countries such as Japan, Germany or the UK for debt held by their commercial bankers.

Write-down and Regulatory Changes. Financial regulatory agencies would be required by amendment of the International Lending and Supervision Act to classify LDC assets as value-impaired, thereby forcing a write-down. The write-down would be tied to the underlying economic value as determined by the Secretary of the Treasury. Banks that don't agree to participate in the IMF Special Facility would be compelled to write down their debt immediately to the underlying value as determined by the Secretary.

Both Pease and I_2D_2 would use a regulatory-enforced write-down as a means to compel full participation by commercial banks. In I_2D_2, however, a general consensus among holders of an LDC country's debt must exist before the I_2D_2 and regulatory function will advance.

Transactions with Banks. Pease anticipates in his proposed legislation that the U.S. Financial Accounting Standards Board (FASB) would adjust its standards to allow banks that exchange their debt at a discount with the new international facility to treat such a transaction as a troubled debt restructuring under FASB 15. Such a treatment would allow these banks to amortize their losses from the discount over a number of years on their financial statements.

Banks that do agree to sell their LDC debt to the new IMF Special Facility would be allowed to write down their portfolios by only 20% immediately and then by 5% a year over 5 years until the underlying value of the debt is reached. They would then hold quality IMF-issued paper at the value remaining after write-down. Banks that do not cooperate will have to build reserves immediately against the full amount of the losses that would occur from writing down their LDC debt to the amount determined by the Secretary of the Treasury.

Agreements with LDC Countries. Debtor countries that agree to undertake a structural adjustment plan formulated by the IBRD and the IMF will receive a full reduction in the debt service achieved by the purchase by the IMF Special Facility of each country's debt. The reduction of principal would be revoked if the terms of the agreement are violated.

Impact on the IMF. Pease argues that use of the IMF would leave World Bank resources unencumbered and would allow an IMF role that is less tied to strict rules of conditionality, which has cast it in the role of an enforcer of lower standards of living, to "softer" conditionality, which would allow the IMF to "repair its damaged credibility in the Third World."

Since the Pease plan does not require new capitalization, the governments of creditor banks do not have an immediate financial burden, except for the reduced tax revenue from commercial banks showing losses. However, the additional burden on the IMF balance sheet could require a higher potential call on IMF assets and require a larger or earlier IMF quota increase.

DEBT RESTRUCTURING THROUGH THE WORLD BANK

CAPITAL BACKS BORROWING

In purchasing debt under a true World Bank model, a new debt restructuring facility would use paid-in and callable capital to leverage, through borrowing, amounts sufficient to purchase the discounted LDC debt from creditor banks. Such borrowing would be from the international capital markets in amounts up to the sum of the paid-in and callable capital pledges of the sponsoring governments.

Using the World Bank model, in order to purchase the entire $250 billion in LDC sovereign debt owed to private financial institutions at a 40% discount, sponsoring governments would have to pledge a total of $150 billion in paid-in and callable capital. If paid-in capital were to be set at 10% of total capital, paid-in would equal $15 billion and the balance, $135 billion, would be callable.

The pledge of $135 billion in capital, under such a capitalization plan, would put the sponsoring countries in a position of guaranteeing the total purchase price on the principal of the debt, in essence fully transferring the risk from the private capital markets to the sponsoring governments.

A major barrier to funding for a new debt reorganization facility through the use of a true World Bank model is the reluctance on the part of the United States and other potential sponsoring governments to provide the budgetary resources for the sizeable paid-in and callable capital necessary, and the further reluctance to do so in a fashion that would be seen as a "bank bailout".

If the U.S. were to participate in a comprehensive debt restructuring facility with capitalization modeled after the World Bank, the U.S. share would be sizeable in relation to its total commitment to existing international institutions, commitments built up over a number of years. A 20% U.S. share of capital under a World Bank-type capitalization of a facility would require $3.0 billion in paid-in and $27.0 billion in callable capital. When compared in scale to current and historical funding for MDBs, the true World Bank model for a comprehensive international debt reorganization facility would either require several years to accumulate the necessary capital, or be a significant departure from the scale of U.S. funding for multilateral financial agencies, since Congress provided a total of only $2.3 billion in fiscal year 1988 for its participation in all international financial institutions.

GENERAL FRAMEWORK OF A WORLD BANK FACILITY

A proposal developed in a U.S. federal agency has circulated in recent months within U.S. Executive Branch policy circles. Though not released officially, because it is contrary to current Administration policy, the proposal describes a framework for establishing an international debt reorganization facility to purchase LDC debt. This proposal follows the World Bank funding model by capitalizing up-front, through paid-in and callable capital, the purchase of LDC debt; however, its scope is limited so that it would require a realistic level of capitalization.

Organization. The proposal would establish a new facility within the World Bank. The new facility would exist for ten years. After receiving a formal commitment to an economic adjustment program, the new facility would purchase LDC debt at a discount from commercial banks. In turn, it would provide debt forgiveness based on objective economic criteria.

Capital Structure. The creditor countries in the World Bank would fund the new facility through paid-in and callable capital. The facility would exist separate from the other resources used for operations of the other members of the World Bank Group. The paid-in capital would be 5 to 10 percent of total capital, and the balance would be available through borrowing based on callable capital.

The proposal devises a formula to set debt forgiveness targets for each country that are independent of the discounts obtainable from the commercial banks. In addition to providing the amount of debt forgiveness for each country, the formula (and the model to display the results of the formula) also allows calculation of the amount of capitalization that would be necessary to accomplish a targeted overall percentage of debt reduction, based on a predetermined maximum debt reduction factor (for the debtor countries) and a maximum acceptable offering bid for the write-down process (for the creditor banks). For a selected amount of capitalization, an overall percentage of debt reduction may be estimated.

Two scenarios using the formula and model are illustrated in the proposal. The model is applied to 11 Latin American debtor countries owing $253 billion in private debt. In one scenario, the maximum debt reduction is 60 percent and the maximum acceptable bid is set at 50% of face value. When the formula is applied to the debt of each of these countries, the cumulative cost to reduce the external debt of these 11 Latin American debtor countries by 27.6 percent would require $67.5 billion financed by $6.75 billion in paid-in capital. This $67.5 billion would purchase debt with a face value totalling $137 billion (assuming a maximum payment of 50 percent of face value set by the facility). The U.S. share, assuming as do the authors of the proposal that the U.S. participates in the same percentage as its current share of World Bank creditor countries, would be 30% or slightly more than $2.0 billion.

In the other scenario, the maximum amount of debt reduction is set at 40% for each economic factor. Application of the formula and model indicate that this scenario would result in an average debt reduction of 15.3 percent. Approximately $76 billion in face value of debt would be purchased at a cost of $37 billion, which would require $3.7 billion in paid-in capital, of which $1.1 billion would be the U.S. share.

The Debt Reduction Formula. The formula specifying the amount of debt reduction for each country is a central component of the discussion draft. In addition to pre-quantifying and thereby simplifying the process of determining the amount of debt forgiveness for each country, the formula is intended to remove the incentive for countries to drive down the value of their debt (and thereby increase the amount of discount) by halting debt servicing prior to a bid. This debt reduction formula would establish the amount of debt forgiveness for each country independently from the amount of discount available.

The formula consists of three factors. These factors are the country's Gross National Product (GNP) per capita, the percent change in GNP per capita over the last 5 years, and the change in the terms of trade over the last 5 years. Each factor is assigned on a straight-line basis in relation to the other countries participating in the facility. If the predetermined maximum value of debt reduction assigned to each factor is 60 percent, then the country with the lowest GNP per capita receives a factor of 60 and the highest receives zero. Those countries in between receive an amount relative to their position between the highest and lowest. The highest and lowest are calculated for the other two factors (with 60 assigned to the greatest charge). The three factors are then averaged with equal weighting and the result is the amount of debt reduction the country can receive. Under the formula, the countries in the worst situations would then have a greater proportion of their debt purchased from the Banks by the facility and thus would receive the greatest level of debt relief. Higher income indebted countries might be excluded as a further limitation on the size of a debt restructuring program.

Agreements with Participating Countries. Before purchasing debt for a specific country from the commercial banks, the new World Bank facility would negotiate a package of comprehensive structural macroeconomic reforms in addition to and in conjunction with any World Bank or IMF structural adjustment agreements. Countries failing to comply with the agreement negotiated with the committee would risk reversal of the debt forgiveness and access to other World Bank and IMF lending.

Debt forgiveness would be phased, starting with a portion upon agreement to an adjustment program, followed by additional amounts each year up to four years as long as the debtor country is in compliance.

Transactions with Banks. The new facility would obtain debt from commercial banks through solicitation of sealed bids after it has received a formal statement of interest from the debtor country. Debt would be limited to that which existed prior to creation of the new facility. The facility would set a discount level for the debt, above which it would not accept bids. The facility would purchase the debt, starting with the most deeply discounted bid and would purchase until the target amount of debt determined by the formula is reached. If an insufficient amount of debt is bid to meet the facility's target, the facility would seek additional offers from the banks.

At the end of ten years the facility would sell the debt it holds to the private sector and would end its operations.

Participation Incentives for Agency Discussion Proposal. It is helpful to look at the incentives inherent in this proposal from the perspective of each of the three major parties. As with other proposals, the greatest incentive for participation by debtor countries is the prospect of debt relief in the form of both principal and interest concessions. Another advantage of the discussion proposal is that debt reduction is determined by formula so that for a given level of creditor government sponsorship, the percentage of debt reduction for each country is targeted quantitatively to need at the onset of operation of the facility.

An incentive for creditor banks is that the proposal is voluntary. Those banks wishing to eliminate certain LDC debt from their portfolios may bid to do so. The proposal suggests that U.S. regional, many European and Middle Eastern banks may wish to do so early in the process. The proposal also suggests that U.S. money center banks may have an increased incentive to participate after the process has operated some time because the value of the remaining debt will increase due to improved debt servicing. Since the facility would purchase the debt with the greatest discount first, the remaining loans should be relatively sound.

The formula used in the proposal provides for a system that establishes, in advance, the target percentages and amounts of debt relief for each country, and the amount of paid-in and callable capital contributions necessary to obtain those targets. Participation, then, can be scaled according to need and available resources. Of course, as with other proposals involving direct purchase, the sponsoring governments will not be able to eliminate the risk associated with changes in future value of the debt purchased. Still, by limiting the purchase using the proposal's formula, the proposal limits sponsoring government exposure and thereby spreads risk.

The advantages of creating a facility within the World Bank include utilizing the Bank's expertise in structural adjustment policy reforms and the ability to utilize its existing capabilities to borrow on the world credit markets including its pooled resources, which would provide considerable leverage. The initial capitalization of a facility is seen as separate from the Bank's General Capital Increase (GCI).

Even a program of limited scope would constitute a sizeable commitment for sponsoring governments if those governments are guaranteeing the full value of the funds raised by the World Bank on the capital markets to purchase the LDC debt. The commitment of the sponsoring governments under this limited program approaches the level of commitment needed for the I_2D_2 debt restructuring facility.

ROTBERG PROPOSAL FOR DEBT ADJUSTMENT

Background. Eugene H. Rotberg, currently Executive Vice President of Merrill Lynch & Co. Inc., circulated a proposal in May 1988 that would create a new affiliate agency of the World Bank to purchase LDC debt. Mr. Rotberg is formerly Vice President and Treasurer of the World Bank.

Rotberg believes that nearly all principal due on LDC debt within the next five years will not be repaid and will have to be rescheduled or refinanced. He points out that over a long period, if interest is paid, the difference in value of repaying or not repaying principal is small. Focusing the discussion on the flow of interest, Rotberg believes that without some changes in available mechanisms, the amount of net new lending by commercial banks will fall considerably short of the interest payments due the banks, and the debt problem will worsen.

Organization. Under the Rotberg proposal, the World Bank (IBRD) would perform a new major debt reorganization role. Rotberg also proposes that a new IBRD affiliate be created.

Agreements with LDC Countries. A special tranched and conditioned IBRD structural adjustment loan would be the basis for loans from commercial banks to a debtor country. Each participating LDC would receive a new money loan from commercial banks for twenty years in an amount that is a substantial portion of the interest due to the bank by the debtor country. This amount, released over the twenty years, would significantly reduce the remaining interest debt service burden. Principal repayments would be amortized, but would occur primarily in a balloon arrangement after twenty years.

Agreements with Banks. The IBRD would provide to the commercial bank lending the new money a guaranteed option to sell its debt at full value (a put at par) after twenty years. This put at par would cover all principal payments to the Bank, including the original debt and the new money to cover or buy down the interest debt service burden. Because of the IBRD's exemplary credit rating, the commercial bank would view the principal as risk free.

Exercising the Put. If the commercial bank exercises the put at the end of the twenty years, it receives the full value of the principal from the IBRD in exchange for the debt notes from the debtor country. By prior arrangement, it simultaneously reloans the same amount to the IBRD affiliate which in turn purchases the debt notes from the IBRD. The debt is then on the books of the IBRD affiliate, which has agreed to pay the commercial bank the three-month T-Bill rate.

Capital Structure. The IBRD would require a capital increase to cover the initial structural adjustment loans and the future commitment for the put. The IBRD affiliate would receive an initial capital contribution from the IBRD. Rotberg also raises the possibility of an investment in the affiliate by commercial banks. The affiliate would also have twenty years return on these initial resources, as well as fees for the put from the commercial banks. Other income during this period would come from the spread between the cost of borrowing by the affiliate and the return from reinvestment in the credit markets, and after 20 years the spread profit of the payments made by the debtor countries on the original debt notes, which would at that point be held by the affiliate over the three-month T-bill rate which will be paid to the commercial banks between years 20 and 40. G-10 Central Banks would also agree to be lenders of last resort if the buildup of earnings of the affiliate after twenty years is insufficient, due to widespread defaults, to pay the T-bill rate to the commercial banks.

Rotberg does not suggest a total dollar amount necessary to capitalize the operation of his plan. All sponsoring government funds to capitalize the Rotberg plan would be provided to or through the IBRD.

One component of the Rotberg proposal would be to provide additional funds for additional structural adjustment loans in support of the plan. This capital commitment may be met by the latest World Bank General Capital Increase, which is valued at $74.8 billion in paid-in and callable capital. This increase which has been approved by the IBRD, but not yet by the U.S., is currently being instituted through an assessment on member countries. When fully implemented, this would increase IBRD capital stocks by more than 80% to $171.4 billion, and allow a growth of about 10% in the Banks lending program. The first installment of the U.S. share is included in the President's budget request for

FY 1988 and totals $70.9 million in paid-in and $2.293 billion in callable capital. U.S. subscriptions currently total 19.9 percent of subscribed capital. Legislation is currently being considered in Congress to authorize U.S. participation in the GCI. This increase may satisfy the component of the Rotberg proposal calling for increased IBRD lending.

Rotberg's proposal also would require the IBRD to have sufficient funds available after 20 years to honor its put at par on principal that would be provided to commercial banks agreeing to participate. Since honoring of this put by the IBRD is just an intermediate step followed by purchase of the debt by the IBRD affiliate, which in turn is financed by a prearranged loan by the commercial holder of the debt, the capital necessary for the IBRD and IBRD affiliate for these transactions would be minor.

The major capital commitment would be for the IBRD affiliate to pay the 3-month T-bill rate of interest between years 20 and 40 on the loan from commercial banks that was used by the affiliate to purchase the debt from the IBRD. Rotberg assumes that the G-10 Central Banks would be the lender of last resort if the income of the IBRD affiliate from its initial capital contribution and fees for the put are insufficient.

Since the affiliate would have no expenses other than administrative for the first 20 years, the initial capital contribution by the IBRD would not have to be large. Since the IBRD, backed by the G-10 Central Banks is essentially guaranteeing interest on the debt, however, the contingent liability could be considerable. Since the affiliate after 20 years must pay interest from years 20 to 40, Rotberg suggests investment of the initial capital contribution in US 20-year zero coupon bonds.

The face value of the 20-year zero coupon bonds would have to equal the present value at 20 years of the interest payments on the subsequent 20 years. The principal on which these interest payments are based would include the original principal plus the principalized interest from the new commercial bank money.

Incentives to Participate. Rotberg's proposal is, as he describes it, "financial engineering" with the purpose of providing a "politically workable structure" that distributes the burden of a solution through a "spread out [of] opportunity losses".

Debtor countries that adhere to the terms of a World Bank structural adjustment loan will receive additional commercial bank lending to cover a "substantial fraction" of their debt service burden over the next twenty years. This additional lending would be designed to reduce or eliminate current negative cash flows, cover debt servicing even during periods of adjustment, support growth and facilitate trade. The debtor countries would not receive a write-down in principal and additional interest would be converted to principal. All principal would be converted to a 40-year loan. Creditworthiness would be reestablished as long as the country conforms to the IBRD structural adjustment plan.

Although creditor banks would have to make substantial additional loans, those loans would have a risk free principal asset on their books because of the put at par by the IBRD. After twenty years, the banks would receive interest at the T-bill rate guaranteed by the strength of the IBRD affiliate which is investing its resources for twenty years without a call, and which is ultimately underwritten by G-10 Central Banks after the twenty years. If the creditor banks exercise the IBRD put which they hold after the initial twenty years, the LDC debt would be transferred to the books of the IBRD affiliate.

Members of the IBRD would have to participate in a General Capital Increase for the IBRD in order to fund additional structural adjustment loans and provide for the puts at par in twenty years. Sponsoring governments would also have substantial callable commitments to the IRBD affiliate. Risk for the governments sponsoring the affiliate would occur if the affiliate were unable to earn sufficient return on its resources during the initial twenty years. That would occur only "in the event of a sustained default by many borrowers to the affiliate".

RITCHIE PROPOSAL FOR DEBT RESTRUCTURING

Background. A leading advocate in Canada of a more comprehensive, market-driven approach to the LDC debt problem is C.E.D. Ritchie, Chairman and Chief Executive Officer of the Bank of Nova Scotia. Mr. Ritchie has put forward a ten-point approach to the debt problem.

Mr. Ritchie believes that the current approach, "muddling through", is not working. He agrees with the central goal put forward by US Treasury Secretary Baker in 1985 that LDC growth is the only long-range solution to the debt problem; however he notes that commercial banks are not providing the new lending, nor is it realistic to expect them to do so. He notes that governments have not backed additional lending by multilateral development agencies, and therefore neither official nor private sources have provided the capital necessary for growth.

Ritchie suggests ten elements that should be part of a solution to the LDC debt problem:

1. Interest payment reduction should be negotiated on all existing debt of financially troubled LDCs except trade credit and interbank loans which should remain at commercial rates.

2. Ability to pay should be determined on a country-by-country basis on the advice of the IMF and World Bank in consultation with lenders and borrowers. The amount of remaining interest rate burden would be related to the level of exports and the size of the debtor economy.

3. Full interest not forgiven. The difference between the full interest rate and the reduced interest rate would not be forgiven, but would be payable in local currency entitlements. These local currency holdings would, in turn, be available, subject to negotiation, for reinvestment in the debtor country after economic recovery, taking into account monetary policy concerns in the debtor country.

4. Limited lender liability on further shortfall in interest payment would be subject to a negotiated limit, beyond which lenders would receive make-up interest payments from a common insurance fund.

5. An insurance fund would be capitalized by lenders in proportion to their exposure and managed under the auspices of the World Bank.

6. Principal would be repaid on an adjustable schedule tied to the cash flow of debtors. Principal would be collateralized by zero coupon bonds issued by the U.S. government or other hard currency countries with foreign currency reserves in the debtor countries as in the Mexico arrangement at the beginning of 1988, or by the World Bank or an affiliate on behalf of the LDCs.

7. Securitization of LDC debt would be possible because the hard currency debt burden would be reduced to a sustainable level, shortfalls would be covered by the insurance fund, and

principal would be collateralized by hard currencies. Securitization would allow a liquid secondary market in LDC debt and reestablish LDCs in the world credit markets.

8. New money over the short term would be provided through a capital increase for the World Bank and other multilateral development banks.

9. New investment in the medium and long term would be encouraged through debt for equity swaps in conjunction with use by commercial banks of the local currency entitlements obtained as the differential between the full interest burden and the lower, negotiated interest debt service amounts.

10. Macroeconomic discipline would be induced through oversight by the World Bank and the IMF. Leverage on the LDC debtor countries to adhere to macroeconomic structural adjustment would arise from the ability of the oversight agencies to grant or withdraw interest concessions, or to provide or withhold multilateral funding. Continued trade finance and interbank lines would be tied to adherence to structural adjustment.

The main purpose of the Ritchie plan , as he describes it, is to "describe a framework around which to structure a negotiation."

Organization. Oversight of the Ritchie plan would be performed by the IMF and the World Bank. Formation of a new international agency would not be required, although an insurance pool to protect against an unanticipated shortfall in interest rates would be created and managed by the World Bank, and funded by lenders. Though not part of his plan, Ritchie concludes that establishing an international agency to purchase LDC commercial debt at a discount would be compatible with his approach as an alternative means for creditor banks to clear the debt of certain countries from their portfolios for which they would pay up front through an initial write-down.

Capital Requirements. The interest shortfall insurance fund proposed by Ritchie would be subject to negotiation between the creditor banks and the World Bank. While the World Bank would be the ultimate guarantor, lenders would be expected to contribute in proportion to their exposure. The total amount required for the insurance fund would be negotiated and would be dependent on an assessment of the aggregate risk remaining as a result of the interest rate reductions for each debtor country.

Collateralization of principal by the purchase of U.S. zero coupon bonds or some other hard currency instrument would be accomplished by LDC debtor countries or on behalf of those debtor countries by the World Bank. Ritchie notes that many LDC debtor countries will not have the hard currency surpluses necessary to purchase the hard currency instrument. Those countries will receive assistance for collateralization from the World Bank. If undertaken by the World Bank, the purchase could be funded through the issue of special World Bank securities to be purchased by industrialized countries in surplus. Ritchie suggests that at current rates of interest (assuming just under 9% nominal interest), $200 billion of LDC debt could be collateralized by a purchase of about $15 billion of 30-year zero coupon bonds.

Since additional lending for development would come from multilateral development banks and not from commercial banks, the MDBs would have to receive general capital increases to provide that additional development lending. Again, as in the Rotberg proposal, this increased World Bank lending could be satisfied by the GCI increase currently underway. If additional lending were desired, it could lead to another GCI increase.

Incentives to Participate in Ritchie Plan. The Ritchie plan relies on market-based incentives to induce the major players to participate.

An incentive for lenders to participate would arise from the local currency entitlements, which would allow them to share in future gains, through debt for equity swaps or other in-country investment. Another incentive for lenders would occur from the increased market liquidity of the LDC debt assets they hold. This liquidity would result from the guarantee of principal by hard currency bonds and the assurance of interest flow at the negotiated, "ability-to-pay" rate backstopped by the interest insurance fund.

The incentive for debtor countries is that they would have an immediate reduction in their debt service burden to an amount sustainable by their economies. Future attainment of creditworthiness would presumably be arrived at earlier because it would be reached through a market based approach that doesn't involve write-downs of principal.

Since the Ritchie plan does not require the establishment of a new international agency, it may be easier to implement than proposals establishing a more formal structure. The sponsoring governments would have to support general capital increases for multilateral development banks in amounts sufficient to provide all development lending in the interim until LDCs have established creditworthiness and can resume development borrowing on the credit markets.

CONCLUSION

The stage has been set for significant progress in providing debt service relief for middle income LDCs through the use of an international debt reorganization facility. Influential international policy makers, sometimes publicly and more frequently privately, are suggesting that such a facility needs to be established. The U.S. Congress has recognized the need for an international debt reorganization facility through legislation included in the 1988 Trade Act which requires the Secretary of the Treasury to complete interim studies in the Spring and Fall of 1989 on how to design such a facility. The debate over solutions to the international debt problem is currently proceeding quickly beyond the question of "whether" to "when" and "how" to establish a more comprehensive debt reorganization facility. The proposals described here have made major strides in articulating how such a facility could be structured, administered and operated.

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STATEMENT OF THE AMERICAN CONSULTING ENGINEERS COUNCIL

ACEC is a professional association of 5,000 independent engineering firms, with nearly 140,000 professional, technical, and support personnel providing consulting engineering and related professional design services to public and private sector clients across the country and around the world. The International Engineering Committee (IEC), composed of 150 firms practicing consulting engineering in the international marketplace, is the largest committee within ACEC and is active in many areas of international trade policy and business practice. Our primary goal is to facilitate the use of United States international consulting services in the most professional and economic manner.

What do consulting engineer firms do? Consulting engineer firms perform studies, prepare plans, design and oversee the construction of structures and facilities, and assist in their maintenance and operation. Such firms are usually composed of professional personnel of a wide variety of disciplines, including civil, electrical, mechanical engineers, architects, hydrologists, and other specialists. Internationally, they play an active and important role in the planning, design, and execution of development projects.

Multilateral Bank versus USAID Funding

After WWII, for 20-25 years US foreign assistance was made available to most developing countries through the Agency for International Development (AID) and predecessor agencies. This assistance was extremely beneficial in the development of road networks, power generation and supply, potable water, sanitation, and irrigation and other facilities. These projects not only provided the infrastructure urgently needed, but also enabled a rapid infusion of capital, substantially increased local employment, fostered the growth and development of the construction and associated industries. Additionally, thousands of foreign engineers and technicians were trained in the United States and returned to become the managerial and technical core upon which their countries have come increasingly to rely.

But now the situation has changed. For the past 15 years USAID financing has been directed toward "basic human needs" and away from infrastructure projects. Moreover, the larger developing countries have graduated from the AID Program and no longer receive US bilateral assistance. The financing of infrastructure projects for such countries has therefore become largely the domain of the multilateral development banks supplemented by bilateral assistance from Japan, Germany, France, Canada and others.

As engineers, we believe the United States must follow a balanced approach. First, bilateral funding should be available to finance capital projects as well as basic human needs, as may best meet the desires and requirements of the countries most in need of economic assistance. Second, the U.S. should play a leading role in supporting the multilateral development banks so that funding will be available for the increasingly needed investment in capital projects in Third World countries not eligible for U.S. bilateral assistance.

U.S. COMPETITIVE POSITION

A study by Price-Waterhouse concludes that engineering services are the "opening wedge" whereby countries establish close ties with client organizations -- ties that lead to subsequent detailed design for roads, plants, and other facilities, for the preparation of specifications for equipment, and for the procurement of that equipment from the country that provides the design. In this way, early involvement by engineers multiplies returns for the country that carries out pre-feasibility and feasibility studies and conceptual design of projects. It also links clients in LDC institutions more closely to training programs, management approaches, and a continuing developmental interaction with the country that, by providing assistance, strengthens ties.

Where the United States is displaced from this relationship, however gradually, a shift also begins in terms of frequency of U.S. contacts with decision-makers, especially the technically trained elite, who, more in developing countries than in the United States, are likely to decide the direction of their nations' futures. Over time, we submit, the United States may find itself increasingly edged out as a trading and assistance partner in significant technological areas by this process, coupled with a weakening of political ties. Already, in too many cases we are beginning to find ourselves on the down side of this relationship. The more this pattern is established, the more difficult it will be to reverse.

USE OF MULTILATERAL DEVELOPMENT BANK FUNDS IN CRITICAL PROBLEM AREAS

Engineers no less than others want to avoid allocation of U.S. funds to infrastructure that developing countries see as something that has been foisted upon them, and for which they therefore have no responsibility in terms of effective upkeep and operation. Such projects are an anathema to engineers and financing organizations alike. We therefore consider it a joint responsibility of ACEC and the U.S. government to identify ways U.S. funds can be used to the best advantage.

We recommend the following:

Helping Third World Cities and Peri-Urban Areas

Analysis of demographic data shows that urban and peri-urban growth in developing countries is continuing at a pace so rapid that existing problems, if unchecked, could swell to gross proportions, and new ones could proliferate over the next two decades. The Third World's rural population approximately doubled from 1920-1980, but during this same period the urban population increased by about a factor of ten, from 100 million to a billion. With almost 90% of world urban growth occurring in Third World cities over the next thirty years, the planning and implementation apparatus and resources available to Third World nations cannot meet the need generated by this rate of growth.

It has been observed that problems occur at three levels of the environment as a result of urban population growth. These are the internal environment (the home and immediate surroundings); the city environment itself, as characterized by, e.g., air and water quality; and regions in which cities are located, as they are affected by the city's requirements for items such as land, fossil fuels and fresh water. Each of these levels can benefit from foreign assistance provided through engineering and capital projects, and, moreover, many of the most serious problems can only be alleviated by this approach. In such areas as solid waste management, water supply and sanitation, air pollution control and transportation networks, there will be a need not only for infrastructure, but for institutional support systems and revenue schemes to keep the systems self-supporting. Problems with impure water supply and sewage systems that promote water-borne diseases in urban and peri-urban areas go beyond the administrative capacities of local governments, however, and can, in the final analysis, only be adequately dealt with by the provision of financing for technical assistance and adequate infrastructure.

Safeguarding the Environment and Managing Natural Resources

With the approval of the U.S. National Environmental Policy Act (NEPA) in 1970, national attention became intensely focused on environmental matters. Although subsequent administrations have placed varying degrees of emphasis on environmental programs since 1970, environmental activists have kept before Congress and the public the problems they perceive to be seriously endangering the environment.

Recently, there has been a growing awareness in both developed and Third World nations that environmental problems are not confined to the more advanced countries and, in fact, respect no national boundaries. The growing list of actual and potential international and Third World environmental problems covers a broad spectrum. In the Newly Industrialized Countries (NICs), as manufacturing and commercial resource-based activity increases, waste generation and resource despoilation are proliferating more rapidly than the necessary control mechanisms -laws, policies, regulations and procedures, and trained specialists.

It is in the interest of these countries and the United States that most of these problems be dealt with sooner rather than later, as they are likely to be more severe and costly if they are neglected or insufficiently dealt with now. Moreover, there is now a much higher degree of acceptance by most Third World countries that their environmental problems require action. A number of countries have recently established offices or agencies at the national level to assess problems, develop policy, devise plans, and coordinate environmental activities. Many of these countries have been in contact with the U.S. Environmental Protection Agency, and most are receptive to applying methods similar to those used in the United States to deal with their own problems.

In implementation of U.S. environmental programs for EPA and state governments, ACEC firms have gained enormous experience in all phases of comprehensive environmental regulatory and remedial services, from the earliest studies through the construction management phase. No other group can bring to bear this depth or range of experience. Many of the multi-project operations in a U.S. Federal region exceed in scope and problems the national programs of Third World countries. In addition, because environmental actions nearly always cross disciplines, engineering companies have had to establish networks to draw on the services of a wide range of specialists, including anthropologists, archaeologists, agronomists, economists, regional planners, forestry, fishery and wildlife experts, and many others. The primary means for obtaining these services have been consortia, joint ventures, subcontracts, and recruitment of individuals for temporary assignments. In short, the role and capability of engineering companies have greatly expanded to meet the needs of the development programs that have evolved.

ACEC strongly supports Congressional efforts to safeguard the environment, but we do offer one word of caution. We believe that a Congressional mandate to apply NEPA to all multi-lateral development bank projects would be too far reaching at this time. We believe that the desired results could be achieved by ensuring that each of the MDBs establishes a sound environmental policy and a strong, capable Environmental Division that operates within the approval process and has sufficient authority to withhold approval of any projects considered environmentally undesirable.

ACHIEVING A MULTIPLIER EFFECT FOR U.S. FUNDS

At a time when the United States must deal with an enormous budget deficit, available funds must bring the best returns for the amount invested. Here are some ways we believe this might be done.

Enhancing the Trade and Development Program

ACEC has previously gone on record to support the Trade and Development Program (TDP). The engineering community and others who work with TDP have found this program to be very responsive to the needs of U.S. business. TDP's regional coordinators and field staff have identified projects and financed studies that promise for expanding U.S. exports.

Just as importantly, TDP has been highly responsive to individual firms coming forward with proposals to develop export-generating projects, and TDP has innovated new and potentially valuable trade development approaches, including "trade-related training" and the Investor Assistance Program.

In addition, TDP's effectiveness has brought forth new legislative authorities relating to funding of education and training activities and financial assistance to state export programs.

The current level of TDP funding, $25 million, is too low and good prospects must be forgone because of insufficient funds. Accordingly, an increase of TDP funding to an eventual level of $50 million seems justifiable and desirable. This might be done in phased steps over a period of two-to-three years to enable the TDP Director and staff to incorporate the additional funds while at the same time modifying the program to accommodate the new scale of operations without losing the functional efficiency characteristic of the program.

Finally, the nature of TDP's trade development mission calls for optimal capability to be responsive and to react to changing conditions. In this regard, it is often difficult if not impossible to synchronize the process of application, review and funding of export-generating projects with the normal yearly federal funding cycle. With this background, ACEC supports "no-year funding" authority for TDP to provide needed flexibility.

Providing for Continuity of Export Financing

While TDP financing had often served as an effective "door opener" for U.S. firms pursuing significant overseas opportunities, that door is just as frequently slammed shut, due to lack of timely, responsive, and competitive export financing. In this regard, ACEC believes that the programs and practices of the U.S. Export-Import Bank are in need of continuing re-examination and improvement.

Over three years ago, EXIM established the Engineering Multiplier Program as a means to enhance trade finance available to U.S. engineering and architectural firms pursuing engineering opportunities overseas. Because this program's availability and application may not have been well understood, and especially because the interest rates associated with the program ceased to be competitive vis-a-vis other countries' medium-term trade financing, very few of the preliminary commitments made have resulted in approved loans.

ACEC believes the Engineering Multiplier Program should be modified to make it more useful and attractive to consulting engineers and other design professionals.

Establishing U.S. Trust Funds in the Multilateral Development Banks

Prior to engaging in a project, the multilateral development banks (MDBs) require pre-feasibility and feasibility studies, environmental assessments, and operational and management studies. In an increasing number of cases, these studies use trust funds contributed by individual countries and earmarked for work that will be exclusively carried out by their nationals and the recipient country. This obviously gives the donor country an advantage in conducting the remainder of the project.

In the World Bank, 23 countries to date have established so-called Trust Funds (actually specifically designated accounts with quick and simple procedures to facilitate their use). The countries having these trust funds set forth the criteria for their use, e.g., countries where they may be used, sector, and so forth. Generally, these funds are not large (less than $5 million).

While it is still too early to evaluate fully their effectiveness, there is clear evidence that in some cases U.S. firms have been passed over because the United States had no trust fund.

The United States presently maintains a trust fund only in the African Development Bank. Even there, the funds have been supplied by the Trade and Development Program (TDP). While we applaud TDP's willingness to use its very limited funds in this way, it is a case of "robbing Peter to pay Paul," as these funds then become unavailable for other feasibility studies that TDP would carry out.

We recommend, rather, that other funds should be made available for preliminary studies financed from Trust Funds, based on the potential return to the U.S. economy through follow-on sales of design services, construction management, construction, and sale of equipment.

We submit that these funds represent the cost of doing business, and that in the long run, they will cost far less than the value of the business lost. We therefore urge the establishment of a fund at a modest level in each MDB, to enable U.S. firms to compete on the same basis as their competitors.

U.S. Co-financing of MDB Projects

Trust funds and co-financing go hand in hand. Many of the developed countries that have established trust funds with MDBs also are co-financing specific portions of bank-funded projects. Unless the U.S. foreign assistance program includes similar activities, the market for U.S. services and goods on MDB-funded projects will continue to shrink. This will adversely affect the foreign trade balance. Consequently, we recommend that AID be given both the authority to identify major projects and sufficient funding flexibility to co-finance the early studies that will enable U.S. engineering firms to increase the chances that design work, construction, equipment purchases and other activities may be won by U.S. companies, while at the same time multiplying the effect of the U.S. input.

Reorganization and the Placement of U.S. Nationals in the MDBs

We understand that the IDB is now undergoing a major internal re-organization to improve its structure and capability to undertake a larger, more effective lending program. We endorse changes that will make the organization more efficient, more productive, and more selective in the utilization of its resources. However, we do wish to express a point of concern. Historically, the U.S. Government has been instrumental in the placement of certain U.S. nationals in higher-level legal and administrative positions in the MDBs; but much less attention has been given to placing U.S. staff in important program-oriented positions. While U.S. staff in administrative and legal positions may offer assurance to the U.S. government that the MDBs are being managed in accordance with U.S. standards, they do not provide the highly qualified professional staff essential for preparation, analysis and operational oversight of sound projects for bank financing. Therefore, ACEC believes that a concerted effort should be made to place more U.S. nationals in such positions.

To summarize our major points, we believe that there is a clear need for a balanced assistance program that includes capital projects, which will support long-term economic growth. The U.S. needs to provide funds for feasibility studies in its bilateral program -- through AID and TDP -- and to provide funds for the multilateral development banks which for the most part finance the capital projects. This action by the U.S. will assist developing countries to become better trading partners with the U.S., and at the same time will encourage wider use of U.S. management practice, technical services, and sales of U.S. equipment and goods. Thereby, both their countries and ours would benefit. We encourage the Congress to support an approach that will embody these recommendations, and would be pleased to assist in further defining or developing ways this could be done.

We appreciate the opportunity to provide this statement and stand ready to assist the Subcommittee in anyway possible.

Engineering Services In a U.S. Foreign Assistance Program for the 1990s

Role of Capital Projects

Capital projects—at one time a major and valued component of U.S. foreign aid—now account for a minuscule percentage of the U.S. foreign assistance program. While a variety of historical factors contributed to this decline, it is now clear that the pendulum has swung too far. Where appropriate, capital projects can both advance U.S. foreign assistance objectives and improve the competitive position of U.S. goods and services.

As we prepare to enter the last decade of the 20th century, it is particularly appropriate that the U.S. foreign assistance program should be appraised in the light of the historical record, the current situation, and the factors that seem likely to dominate the future of the United States and the world. The legislation, policies, and procedures that govern the operation of today's foreign assistance program, though revised periodically over the years, stem first from the Foreign Assistance Act of 1961, as amended, and second, from a set of economic and developmental assumptions not wholly suited to present and potential future world conditions.

Following World War II, throughout the 1950s and into the 1960s, the United States took the lead in international economic assistance and in the overall world economy. Within this framework, the U.S. Agency for International Development and its predecessor agencies developed lending and technical assistance programs that broke new conceptual and programmatic ground and extended U.S. assistance on a scale previously unimagined. Following the Marshall Plan, and attempting to emulate its successes, those responsible for U.S. foreign assistance gradually became aware that many of the preconditions facilitating reconstruction of Europe did not exist in the developing countries. Gradually, it was realized that a host of cultural, institutional, demographic, policy and other new constraints would have to be dealt with.

From its inception, capital projects played a major role in the U.S. aid program. Infrastructure, after all, was a precondition to economic growth in developing countries as it had been in the reconstruction and renewal of war-torn Europe and Japan. Road networks, power generation and supply, potable water, sanitation facilities, and water for irrigation were considered basic to socioeconomic development. Furthermore, capital projects constituted a relatively efficient way to transfer resources, and were capable of management by U.S. engineers, whose technological capacity and managerial know-how were unequalled. It became increasingly evident, however, that attaining sustained economic growth was no easy task. While a number of countries progressed more favorably, such as Taiwan, South Korea, Singapore, Cyprus, Turkey and Brazil, their successes were often based on circumstances not easily duplicated in most developing countries.

During this period, many AID-financed engineering projects were successfully completed, and concurrently, thousands of engineers and technicians from developing countries were trained in the United States and returned to become the managerial and technical core upon which their countries have come increasingly to rely. These projects not only provided the infrastructure urgently needed, but also enabled a rapid infusion of capital into the LDCs, substantially increased local employment, and fostered the growth and development of the construction and associated industries.

While some of the infrastructure projects of the period did not achieve the results that had been anticipated, they comprised only a small portion of the total engineering effort. Unfortunately, the numerous successful projects have not been acclaimed, whereas failures have been pinpointed and have attracted critical attention often beyond that deserved.

Where there were failures, in many cases this resulted from inadequate economic analysis and program development. Often the effects of injecting a new technology into the complex natural and cultural systems of Third World nations were poorly understood. When project failures were observed, it was easier to reject the infrastructure project per se than it was to understand the interactions of the full set of program variables, which included U.S. policies and practices, as well as Third World cultural, socioeconomic, political, legal and environmental conditions.

These non-project variables only came to be appreciated at a later date, based on accumulated experience. These variables typically included constraints such as price policy (subsidization of poorly performing organizations and inadequate attention to making operations self-sustaining); lack of career patterns, incentives, and opportunities in LDC institutions to retain needed personnel; poor choices of technology; inadequate preparation of recipients to manage and operate projects (e.g., power plants, water treatment and wastewater plants, road systems), and many associated reasons, some of which were completely outside of the engineer's realm of responsibility as understood and practiced at that time. *(This has changed. Engineers, in their role as program managers and as primary consultants, are responsible for the broader aspects of the multidisciplinary and often multi-sectoral projects that have subsequently evolved.)*

Capital Projects and Basic Human Needs

For these and perhaps other reasons, a significant change occurred in AID, and there was a turning away from capital projects, which increased over time to the present point at which, aside from the very large AID programs—primarily in Egypt and Pakistan—infrastructure projects have become rare components of the AID program. While many countries where AID operates continued to require a variety of infrastructure projects, financing of these projects has passed to other organizations, e.g., the multilateral development banks, bilateral assistance and capital transfer (lending and grant) programs of Japan, Germany, France, Canada, and increasingly, the EEC. While those countries also finance some projects having a high Basic Human

Needs (BHN) content, the ratio of BHN to capital projects in their foreign assistance programs is much lower than in the U.S. program.

Proponents of the BHN approach have by and large argued that capital projects have no part in the U.S. foreign assistance program, given the fact that the United States is a debtor nation that cannot afford "expensive" infrastructure projects. Infrastructure projects, they argue, should be the exclusive domain of the World Bank, regional development banks, and those countries who can afford to finance them. The proponents of capital projects make no similar claim that BHN projects should be eliminated from the U.S. program. What we do argue is that a balanced approach would enable the United States, with limited financing, to provide funding for many front-end studies with project implementation using follow-on financing furnished by the multilateral development banks.

We also argue that by abandoning capital projects and other modern technology-oriented programs, in countries where they are an appropriate form of development assistance, we have unwisely eliminated a balanced approach that could generate more returns for the United States, while also better serving the needs of the countries we are assisting. The relationship between each country and the United States is unique and must be dealt with in each case based on that uniqueness. Development projects do not stand only on their individual merit, but constitute sectoral and country programs that, when fully and effectively integrated, have a synergistic effect. Nearly every country in which AID operates has identified, by its own means or with other external assistance, capital projects that have development potential. In many cases, experience shows, these projects have a high priority within the developing countries' investment portfolios. Moreover, there have been projects in which countries made it clear that a U.S. investment would be welcomed or even preferred.

Former U.S. Ambassador Ernest H. Preeg has drawn some comparisons among major donor countries' emphasis on capital projects as a component of their foreign assistance programs. He notes that ". . . there is a striking asymmetry among bilateral aid programs with respect to the relative role of capital projects." (3, p. 176) As shown in Table I, less than three percent of U.S. aid for bilateral projects in a number of major areas goes for capital projects, the lowest percentage among major donor countries.

Table I makes it clear that other major donors—who finance U.S. engineering companies' competitors in the international market—place a drastically different priority on capital project assistance than the United States does. Japan, with respect to this reported official assistance alone, invests nearly eight times as much as the United States in dollar value in capital projects ($2.9 billion vs. $373 million), and nearly 20 times as much as a percentage of total assistance. Is our economic acumen so much greater than the Japanese that we can fail to learn from their example? Does our program, as U.S. opponents of capital projects argue, merely reflect a valid choice that the United States has made in molding its foreign assistance program along a non-capital projects line?

Table I Capital Projects as Percentage of Bilateral Assistance*

Japan	45.8
Denmark	33.0
Norway	22.5
Germany	20.8
U.K.	15.4
Canada	14.0
Sweden	13.3
France	13.0
USA	2.3

*Consessionally financed bilateral projects in energy, telecommunications, and transportation, 1985-86

Source: Ernest H. Preeg, "Trade, Aid and Capital Projects," *The Washington Quarterly*, Winter 1989, p. 176.

Supporting the Appropriate Technology

The term "appropriate technology" came into use largely because development assistance programs made people aware that the same technological package cannot be used indiscriminately regardless of the specific conditions to which it is to be applied.

As indicated previously, each country development program is unique, and must be dealt with on that basis. This does not mean that higher technology must be excluded out of hand as being inappropriate in every developing country situation.

A more valid question is, "What role should higher technology have in the overall configuration of each country's development plan?" It is neither necessary nor desirable for each developing country to go through every intermediate step as it advances to higher technology levels. An analysis of the effects of different levels of technology should be made, with no necessary predisposition to low technology (which in many cases implies high labor input) over high technology. This analysis should identify ways countries can "leapfrog" over intermediate levels if a higher technology is more cost effective, shows promise of moving poor countries ahead more quickly, and there is no indication of serious negative side effects that cannot be ameliorated.

The other major consideration for this assessment is to identify technology in which the United States has a clear lead or is at least highly competitive. To match U.S. strengths and identified needs of developing countries obviously makes sense, and it is difficult to see how this would violate any developmental precepts. This approach would have the further advantage of reducing the dominance of other countries in key fields, e.g., the Japanese targeting of telecommunications in Southeast Asia and the Pacific. Some areas in which the United States is strong that might be considered include industrial and hazardous waste treatment and disposal, System Control and Data Acquisition (SCADA), and operations and maintenance management.

Provision of Engineering Services in U.S. Foreign Assistance

Engineering services are provided in several ways. Independent consulting engineers, as the name indicates, maintain no construction, commercial, or manufacturing affiliations which might bias their professional judgement. In most cases, services of these engineers (and architects) are obtained by Quality Based

Selection (QBS) under the Brooks Law (P.L. 92-582). ACEC supports the comprehensive use of the Brooks Law, which maximizes selection of the best technical approach at a fair, negotiated price. Design/construct companies are a separate group that ordinarily perform all tasks from preliminary studies through completion of construction. They sometimes manufacture equipment or have proprietary processes (patents) to which they give preference in construction. A third approach is that of contractors, who build facilities and other infrastructure in accordance with designs prepared by engineers or architects.

Collectively, architects, engineers, contractors, constructors and surveyors, with associated crafts, labor personnel, and support staff constitute the U.S. construction industry, a major contributor to the U.S. economy. In 1987, according to a survey by *Engineering News Record (ENR),* the top 60 U.S. design firms were awarded more than one billion dollars in contracts, while in the same period the top 40 U.S. contractors won $18.1 billion worth of foreign contracts.

ACEC at the present time does not have access to the data necessary to provide the total dollar volume of business its members have carried out for AID, either cumulatively or in current contract worth. However, a survey of AID's report of contracts in effect for FY 1987 shows 25 engineering contracts totaling $131,814,792 in effect for that period (2, passim). This figure understates the actual comprehensive value of engineering effort, however, for two major reasons. First, as AID projects have become more multidisciplinary over the years, some projects that have not been classified as engineering have nonetheless contained millions of dollars of engineering activity, e.g., the Water and Sanitation for Health Projects (WASH), Irrigation Support Project for Asia and the Near East (ISPAN), and some Indefinite Quantity Contracts (IQCs). Second, where engineers act as subcontractors to a non-engineering prime contractor, the AID report does not separately give the engineering subcontract amounts. In addition, the referenced AID report does not list some large-scale contracts such as the Greater Cairo Wastewater Project, which is the largest project of its type in the world. It can nonetheless be seen that engineering contracts are a sizable, though not major component of the AID program. However, the percentage is small in comparison with the engineering program content of other major donors.

U.S. Competitive Position

A study by Price Waterhouse (1) concludes that engineering services are the "opening wedge" whereby countries establish close ties with client organizations—ties that lead to subsequent detailed design for roads, plants, and other facilities, for the preparation of specifications for equipment, and for the procurement of that equipment from the country that provides the design. In this way, early involvement by engineers multiplies returns for the country that carries out pre-feasibility and feasibility studies and conceptual design of projects. It also links clients in LDC institutions more closely to training programs, management approaches, and a continuing developmental interaction with the country that, by providing assistance, strengthens ties.

Where the United States is displaced from this relationship, however gradually, a shift also begins in terms of frequency of U.S. contacts with decision-makers, especially the technically trained elite, who, more in developing countries than in the United States, are likely to decide the direction of their nations' futures. Over time, we submit, the United States may find itself increasingly edged out as a trading and assistance partner in significant technological areas by this process, coupled with a weakening of political ties. Already, in too many cases we are beginning to find ourselves on the down side of this relationship. The more this pattern is established, the more difficult it will be to reverse.

The United States has often lost out on excellent opportunities that our competitors have recognized. The French, for example, saw the potential for their tunneling and subway mass transit technology, and vigorously promoted their assistance, winning competition for subway projects in Mexico City; Santiago, Chile; Sao Paulo, Brazil; Seoul, South Korea; and even Chicago. The availability of French funds and strong governmental support were important in each case. Similar cases may be cited in the areas of port development, grain handling and storage, power generation and transmission, and water supply and sanitation, all of which are essential to the attainment of conditions without which Third World development is impeded.

For most countries, a valid mix of capital projects and related technical assistance and BHN projects can readily be established. As indicated, our foreign competitors see the validity of this argument and structure their foreign assistance programs accordingly. The United States, alone among the major donor countries of the world, has excluded or minimized its capital assistance program *beyond* the point of best returns for recipient countries and ourselves. A balanced program that would increase both the influence and effectiveness of the U.S would include more resources applied to assist with major efforts in water supply and sanitation, irrigation networks, power systems, transportation links, and environmental protection and resource management, and would also aid in other, smaller scale capital projects that promote local and regional development.

For these reasons and others, it is imperative that the role of capital projects in the U.S. foreign assistance program be closely assessed. We now turn to specific issues and proposed ways such an assessment can lead to stronger, more vital U.S. aid program.

Using Capital Projects in Critical Problem Areas

Whatever the configuration of the aid program that emerges from current deliberations, it is recognized by all parties that U.S. expenditure on the scale common in the 1960s is highly unlikely. Furthermore, there is little patience, either within Congress or the public at large, for money spent on projects that do not yield significant benefits and do not generate a genuine process of development.

Engineers no less than others want to avoid allocation of U.S. funds to infrastructure which developing countries see as something that has been foisted upon them, and for which they therefore have no responsibility in terms of effective upkeep and operation. Such projects are an anathema to engineers and financing organizations alike. We therefore consider it a joint responsibility of ACEC and the U.S. government to identify ways U.S. funds can be used to best advantage.

We recommend the following:

Third World Cities and Peri-Urban Areas

Analysis of demographic data shows that urban and peri-urban growth in developing countries is continuing at a pace so rapid that existing problems, if unchecked, could swell to gross proportions, and new ones could proliferate over the next two decades. While a national annual population growth rate (AGR) for Third World countries of 3.0 percent is considered very high, the average AGR for Third World cities is about 3.5 percent, and rates of 7 percent are reported, yielding a population doubling time of only ten years. The Third World's rural population approximately doubled from 1920-1980, but during this same period the urban population increased by about a factor of ten, from 100 million to a billion. (6, p. 173) The planning and implementation apparatus and resources available to Third World nations cannot meet the need generated by this rate of growth. Almost 90 percent of world urban growth over the next thirty years, at present rates, will occur in Third World cities. (7, p. 36) Table II gives estimates of the population of some major Third World cities with projections to the year 2000.

It has been observed that problems occur at three levels of the environment as a result of urban population growth. These are the internal environment (the home and immediate surroundings); the city environment itself, as characterized by, e.g., air and water quality; and regions in which cities are located, as they are affected by the city's requirements for items such as

Table II. Population of Third World Cities

	Population (Millions)	Est. Population Year 2000
Mexico City	16.0 (1982)	31.0
Sao Paulo	12.5 (1980)	25.8
Bombay	8.0 (1982)	16.8
Jakarta	6.2 (1977)	15.7
Manila	5.5 (1980)	11.5
Bogota	3.5 (1977)	9.6
Lagos	4.0 (1980)	10.5
Nairobi	.8 (1979)	5.3

Source: Jorge Hardoy and David Satterthwaite, *Shelter: Need and Response, Housing, Land and Settlement Policies in 17 Third World Nations*, cited in 6, p. 176.

land, fossil fuels and fresh water. (6, p. 171) Each of these levels can benefit from foreign assistance provided through engineering and capital projects, and moreover, many of the most serious problems can only be significantly alleviated by this approach.

In such areas as solid waste management, water supply and sanitation, air pollution control and transportation networks, there will be a need not only for infrastructure, but for institutional support systems and revenue schemes to keep the systems self-supporting. An example given in *State of the World, 1987* (6) describes a situation of the type engineers regularly encounter:

> As Third World cities reach astounding proportions, they are outgrowing the administrative capacity of local governments. Many are struggling to provide the most basic of services. In Alexandria, Egypt, a sewage system built earlier this century for 1 million people now serves 4 million. Lack of investment capital to upgrade waste treatment and drainage systems has left parts of the city literally awash in raw sewage. (7, pp. 40, 41)

Problems with impure water supply and sewage systems that promote water-borne diseases in urban and peri-urban areas go beyond the administrative capacities of local governments, however, and can, in the final analysis, only be adequately dealt with by the provision of adequate infrastructure. Of course, a range of technical assistance is necessary to support the effective use of the infrastructure. There must be understanding of the attitudes and behavior that affect how systems will be used, of the role of community participation in planning and implementing projects, and of sources of finance that will make the system self-sustaining. But when all of the studies have been conducted, there must still be an infrastructure system designed and built before the goals of water-borne disease reduction and improved public health can be attained.

An adequate U.S. program needs to include at least the design phase for the infrastructure elements in its foreign assistance program after having provided early technical assistance to assess the scope of the problems and a variety of ways of dealing with them. U.S. engineering companies' experience in assessment and resource management can help by providing not only the required technology, but training in program management, systems maintenance, and finance for sustained effective operations.

Safeguarding the Environment and Managing Natural Resources

With the approval of the U.S. National Environmental Policy Act (NEPA) in 1970, national attention became intensely focused on environmental matters. Although presidents and their administrations have placed varying degrees of emphasis on environmental programs since 1970, environmental activists have kept before Congress and the public the problems they perceive to be seriously endangering the environment.

Attention to international environmental problems closely follows the pattern of those in the United States. The first major arena for discussion of Third World problems was the 1972 Stockholm Conference on the Human Environment sponsored by the

United Nations. This conference was marked by an unusual amount of disagreement among the Third World nations and between them and the developed nations about the priority that should be placed on environmental considerations and how programs should be designed and implemented in the Third World. There was *general* agreement by Third World delegates, however, that developed countries:

- Could not dictate to them whether they should have an environmental program
- Could not establish the priority an environmental program would have, if they decided to have one
- Should not channel funds to environmental programs at the expense of existing development programs aimed at growth and distribution
- Could not expect Third World nations and people to forgo their economic opportunities for the sake of environmental preservation (especially if of primary interest or benefit to the developed world)

As one analyst described the Third World delegates' viewpoint

> The developing nations contended that the damage to the environment was not of their doing, that the industrial nations were primarily to blame, and that countries just now emerging from privation should not be expected to forgo the higher standard of living resulting from economic growth and industrial development in order to save what the wealthier nations have endangered. (7, p.318)

More recently, there has been a growing awareness in both developed and Third World nations that environmental problems are not confined to the more advanced nations and, in fact, respect no national boundaries. The growing list of actual and potential international and Third World environmental problems cover a broad spectrum. In the Newly Industrialized Countries (NICs), as manufacturing and commercial resource-based activity increases, waste generation and resource despoliation is proliferating more rapidly than the necessary control mechanisms—laws, policies, regulations and procedures, and trained specialists.

It is in the interest of these countries and of the United States that most of these problems be dealt with sooner rather than later, as they are likely to be more severe and costly if they are neglected or insufficiently dealt with now. Moreover, there is now a much higher degree of acceptance by most Third World countries that their environmental problems require action. A number of countries have recently established offices or agencies at the national level to assess problems develop policy, devise plans, and coordinate environmental activities. Many of these countries have been in contact with the U.S. Environmental Protection Agency, and most are receptive to applying methods similar to those used in the United States to deal with their own problems.

There are a number of ways U.S. engineers can assist these countries, and provided that the U.S. government includes environmental assessment and protection in its reformulated foreign assistance, we recommend that the following be considered.

- Using Engineering Companies as Program and Project Managers

  In implementation of U.S. environmental programs for EPA and state governments, U.S. engineering companies have been the leaders. Engineers have gained enormous experience in all phases of comprehensive environmental regulatory and remedial services, from the earliest studies through the construction management phase. No other group can bring to bear this depth or range of experience. Many of the multi-project operations in a U.S. Federal region exceed in scope and problems the national programs of Third World countries. In addition, because environmental actions nearly always cross disciplines, engineering companies have had to establish networks to draw on the services of a wide range of specialists, including anthropologists, archaeologists, agronomists, economists, regional planners, forestry, fishery and wildlife experts, and many others. The primary means for obtaining these services have been consortia, joint ventures, subcontracts, and recruitment of individuals for temporary assignments. In short, the role and capability of engineering companies have greatly expanded to meet the needs of the development programs that have evolved. Yet there are currently few projects within the AID program where this U.S. capability and experience can be applied. This can be rectified by:

- Identifying the countries having various environmental problems which it is in the U.S. interest to help, on a prioritized basis

- Providing assistance in specifying the range and nature of problems requiring priority attention

- Training officials and staff from the appropriate country organizations, both in the United States and in-country, in the technical and management skills needed to operate environmental programs and manage projects more effectively. Where necessary, this should include visits by foreign legislators to the U.S. Congress and state governments to learn how the U.S. Federal and state governments formulate and pass the necessary legislation. Technical and managerial training can be delivered by U.S. engineering companies, federal and state agencies, and other organizations.

Training, Technology Transfer, and Institution Strengthening

Training, technology transfer, and institution strengthening, while not identical, are closely related and interact to affect some common objectives. If the three are used effectively in mutually supporting ways, they can go far toward attaining a major goal in developing countries: trained staffs able to utilize relevant technology in effectively functioning institutions. By definition, one or more of these factors is deficient in developing countries. This section deals with contributions each can make, and how they interact to reach broader objectives.

Training, as used here, refers to the development of job-related knowledge or skills, with emphasis on skills, by employees of Third World organizations. Training is aimed at improving performance in a job held currently, or in preparation for a job in the same field or a related field.

The ultimate aim of training is to improve the effectiveness of organizations in setting and reaching objectives leading to attainment of national development goals. The emphasis is on learning by doing, through training tasks, simulations, on-the-job guided work, workshops and other adult learning approaches. Although training may include lectures, discussions and seminars, these are not the major means of conveying knowledge, and cannot be used to develop skills. Considerable research indicates that the most effective training is given in-country under conditions similar to those of the participants' work place. However, under some conditions, training elsewhere is appropriate.

As applied to capital projects, the objectives of training are:

- To increase the likelihood that jobs carried out by individuals and units in organizations will be performed effectively
- To improve planning, operations and management
- To enable organizations to make more effective selection and use of relevant technologies
- To increase the quality and efficiency of projects throughout the project cycle
- To reduce costs and improve productivity

- To enable the top leaders of organizations to assess and revise their strategies, aims, and policies as necessary

Technology transfer shares several objectives with training. In common with training, technology transfer aims at improving planning, operations and management; increasing quality and efficiency of projects; and reducing costs and improving productivity. Technology transfer, however, involves the delivery of a methodology, process or product beyond that which is conveyed by training. As used here, it encompasses a very wide range, including such items as techniques and processes (for, e.g., site selection, road-paving, installation and start-up of systems, quality control, resource recovery, cost estimating, and literally hundreds of other engineering and managerial activities). It also includes the hardware that facilitates these operations, such as CADD-CAM, flue gas scrubbers, plant information and control systems, and chemical water treatment kits, to name only a few.

The term technology transfer, though currently generally well-received, may have either positive or negative implications for Third World development. It is positive when Third World organizations that receive the technology also develop and retain the capacity to use the technology wisely and effectively under a range of circumstances. It is negative if the receiving organization is basically limited in its ability to apply the technology in either similar or different circumstances, or to adopt the technology to fit changed conditions when that is called for.

Technology is transferred as the result of the efforts of several groups of people, including the receiving ministry or other developing country organization, the financing organization, the consultant, and sometime the equipment manufacturer or supplier. While it is important for all of these groups to be committed to the aim of technology transfer, there is reason to believe that the commitment of the indigenous group—i.e., the developing country receiving organization—plays the most important role. Carl Dahlman of the World Bank, who has studied this process, suggests that transfer of technology may substitute for local mastery (ability to use a technology effectively) rather than serve as a source for it, unless the indigenous organization makes a strong and well-planned effort to master the new technology. (8, pp. 12–14)

This implies that a well-devised plan is needed in the early stages of project formulation in order to select the most appropriate technology configuration. Later, when the project is being proposed (AID's pre-implementation technical assistance phase), detailed plans must include how the developing country ministry or organization will gain the capacity to use the chosen technology effectively. This may require a commitment to train ministry staff as technicians, operators, and repair personnel and to establish a system for maintenance, including spare parts, maintenance manuals, and a budget to support them.

In practice, many developing country organizations object to using their funds to pay for training. While they say they rate training highly, they have often been reluctant to designate or release for training the required staff or to use their own funds for this purpose. As a result, training and technology transfer components of projects have sometimes been seriously weakened.

U.S. engineering consultants have come to appreciate the importance of training and technology transfer to continued successful operations during and following projects on which they are engaged. Moreover, engineering companies realize that successful promotion of U.S. technology is essential to compete with their foreign counterparts. But at present there is no U.S. strategy for promoting transfer of U.S. technology, and no finances are available to pursue this opportunity on an integrated strategic basis.

The reorganized aid program should consider that projects that lack the necessary training and technology transfer components are much less likely to succeed in development of a continuing process of indigenous development. In short, projects will not continue effectively after external assistance has been completed, and the investment made by the United States may be lost.

Without training and technology transfer, there can be no meaningful institution strengthening, and without effective developing country institutions, U.S. objectives for its development assistance program will be dealt a severe blow. ACEC and its member firms are prepared to work with the U.S. aid agency (AID or its successor) to make the necessary assessments and plans to strengthen the U.S. effort in training, technology transfer and institution strengthening in a way that will result in both more effective development projects and the promotion of U.S. technology. This would produce stronger economies in the developing countries, better trading partners for the United States, and a more secure future market for U.S. goods and services.

Assistance in these areas and others that can be identified should include training, both in country and at operating sites in the United States.

Achieving a Multiplier Effect for U.S. Funds

At a time when the United States must deal with an enormous budget deficit, available funds must bring the best returns for the amount invested. Here are some ways we believe this might be done.

Enhancing the Trade and Development Program

ACEC has previously gone on record to support the Trade and Development Program (TDP). The engineering community and others who work with TDP have found this program to be very responsive to the needs of U.S. business. TDP's regional coordinators and field staff have identified projects and financed studies that have promise for expanding U.S. exports.

Just as importantly, TDP has been highly responsive to individual firms coming forward with proposals to develop export-generating projects, and TDP has innovated new and potentially valuable trade development approaches, including "trade-related training" and the Investor Assistance Program.

In addition, TDP's effectiveness has brought forth new legislative authorities relating to funding of education and training activities and financial assistance to state export programs.

In part, TDP works well because it is relatively small and flexible. Its effectiveness will be furthered by the extension of independent statutory authority conferred by the 1988 Trade Act.

While expanding such a program too rapidly and too greatly might deprive it of the very conditions that have made it successful, the current level of TDP funding, $25 million, is too low, and good prospects must be forgone because of insufficient funds. The new education/training and state export assistance authorities noted above could together consume up to $15 million in TDP funding in 1989 and 1990, thus reducing funding available for project-specific trade development assistance. Such projects have sometimes been lost to foreign competitors simply because they offered more money than TDP. We do not suggest that TDP should be engaged in bidding contests to overwhelm other countries' similar programs. Rather, there is a need in some cases for TDP to be able to increase the ante somewhat if the probable returns to the United States warrant this, and not to forgo desirable projects for lack of funds. Accordingly, an increase of TDP funding to an eventual level of $50 million seems justifiable and desirable. This might be done in phased steps over a period of two to three years to enable the TDP Director and staff to incorporate the additional funds while at the same time modifying the program to accommodate the new scale of operations without losing the functional efficiency characteristic of the program.

Finally, the nature of TDP's trade development mission calls for optimal capability to be responsive and to react to changing conditions. In this regard, it is often difficult if not impossible to synchronize the process of application, review and funding of export-generating projects with the normal yearly federal funding cycle. Typically, emerging projects may take several months to as long as two years to be developed to the point that TDP can make a funding commitment, since much of the process is dependent on the actions of foreign government agencies, multilateral development banks and other entities providing follow-on funding. In other cases, projects that have programmed for TDP funding have unexpectedly been cancelled, funding sources withdrawn, or delayed late in our fiscal year, leaving TDP with little or no time to substitute other worthy projects. In such instances, TDP funding can be lost.

With this background, ACEC supports "no-year funding" authority for TDP to provide needed flexibility.

Providing for Continuity of Export Financing

While TDP financing had often served as an effective "door opener" for U.S. firms pursuing significant overseas opportunities, that door is just as frequently slammed shut, due to lack of timely, responsive, and competitive export financing. In this regard, ACEC believes that the programs and practices of the U.S. Export-Import Bank are in need of continuing re-examination and improvement.

Over three years ago, EXIM established the Engineering Multiplier Program to enhance trade finance available to U.S. engineering and architectural firms pursuing engineering opportunities overseas.

Because this program's availability and application may not have been well-understood, and especially because the interest rates associated with the program ceased to be competitive vis-a-vis other medium-term trade financing, very few of the preliminary commitments made have resulted in approved loans.

ACEC believes the Engineering Multiplier Program should be reviewed jointly by EXIM and representatives of the U.S. engineering and architectural community to determine what, if any modifications, can be made to make it useful and attractive to consulting engineers and other design professionals.

U.S. design professionals engaged in export-generating activities in the overseas market can benefit significantly through use of risk insurance instruments of the Foreign Credit Insurance

Association (FCIA). Currently, FCIA intends to phase out its current services policy, developed in 1972, in favor of providing coverage through its short-term single buyer or multibuyer policies. ACEC believes that these instruments can be effectively adapted for use by consulting engineers following appropriate modifications based on consultations with design professionals.

Finally, while EXIM has made great strides in adapting its programs and practices to the growing U.S. services economy, the information and training provided by EXIM continues to be heavily geared to manufactured goods and/or commodities exporters, and the structure and content of its training seminars are slanted towards financial institutions. With this background, ACEC believes that a separate "short course" focusing on application of EXIM/FCIA trade finance and risk insurance programs and instruments by services providers, including consulting engineers, would lead to more widespread and effective use of these programs and instruments.

Establishing U.S. Trust Funds in the Multilateral Development Banks

Prior to engaging in a project, the multilateral development banks (MDBs) require pre-feasibility and feasibility studies, environmental assessments, and operational and management studies. In an increasing number of cases, these studies use trust funds contributed by individual countries and earmarked for work that will be exclusively carried out by their nationals and the recipient country. This obviously gives the donor country an advantage in conducting the remainder of the project.

In the World Bank, 23 countries to date have established so-called Trust Funds (actually specifically designated accounts with quick and simple procedures to facilitate their use). The countries having these trust funds set forth the criteria for their use, e.g., countries where they may be used, sector, and so forth. Generally, these funds are not large (less than $5 million).

While it is still too early to evaluate fully their effectiveness, there is clear evidence that in some cases U.S. firms have been passed over because the United States had no trust fund.

The United States presently maintains a trust fund only in the Africa Development Bank. Even there, the funds have been supplied by the Trade and Development Program (TDP). While we applaud TDP's willingness to use its very limited funds in this way, it is a case of "robbing Peter to pay Paul," as these funds then become unavailable for other feasibility studies that TDP would carry out.

We recommend, rather, that other funds should be made available for preliminary studies financed from Trust Funds, based on the potential return to the U.S. economy through follow-on sales of design services, construction management, construction, and sale of equipment.

We submit that these funds represent the cost of doing business, and that in the long run, they will cost far less than the value of the business lost. We therefore urge the establishment of a fund at a modest level in each MDB, to enable U.S. firms to compete on the same basis as their competitors.

U.S. Co-financing of MDB Projects

Trust funds and co-financing go hand in hand. Many of the developed countries that have established trust funds with MDBs also are co-financing specific portions of bank-funded projects. Unless the U.S. foreign assistance program includes similar activities, the market for U.S. services and goods on MDB-funded projects will continue to shrink. This will adversely affect the foreign trade balance.

In some cases, AID has collaborated with MDBs to co-finance projects. For example, there has been collaboration between USAID/Islamabad and the World Bank for the Pakistan Private Energy Project. AID is providing money for some early studies and the design of the Private Sector Energy Development Fund, "a loan pool that will provide up to 30 percent of private power project costs in Pakistan." (4, p. 1)

This cooperation of AID with the Bank was fostered by the critical need to infuse private sector finance into expansion of power generation sources, because power shortages have been identified as one of the most critical barriers to economic development in many countries.

Even though this specific project does not hold much promise for expanding the market for consulting engineers, who by and large do not have investment capital, we believe AID's move is a positive one. As a result, we recommend that much more be done to identify other major projects where AID can co-finance the early studies that will enable U.S. engineering firms to increase the chances that design work, construction, equipment purchases and other activities may be won by U.S. companies, while at the same time multiplying the effect of the U.S. input.

Placing U.S. Nationals in International Lending Institutions

The U.S. Government has placed U.S. nationals in higher-level legal and administrative positions in MDBs, but has paid less attention to placing U.S. staff in key program positions. While U.S. staff in administrative and legal positions offer assurance to our government that the MDBs are being managed in accordance with U.S. standards, they do not provide the highly qualified professional staff essential for preparation, analysis and operational oversight of sound projects for bank financing.

U.S. nationals in these positions would make it easier for U.S. firms to do business with the MDBs.

Study is needed to identify where additional U.S. nationals are needed in MDB program positions and any barriers to placing them.

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STATEMENT OF HUGH MIELDS, JR.

On behalf of the National Association of Housing and Redevelopment Officials, the International Division of the American Planning Association and the Habitat International Council I thank you for the opportunity to submit this statement for the record to the Appropriations Subcommittee on Foreign Operations during the course of your hearings on U.S. foreign aid for development.

Our testimony is directed toward three objectives. First, we again want to urge the subcommittee to consider current AID programs and fund allocations in the light of the accelerating urbanization which has taken place over the last two decades and which continues to characterize population growth and distribution in the developing countries. These phenomena, and the critical problems they pose for the developing countries, have been throughly documented by the World Commission on Environment and Development which devoted a major Section of its 1987 Report Our Common Future to "the urban challenge;" by the Agency for International Development in its recent report to the House Appropriations Subcommittee, Urbanization in the Developing Countries December 1988 and in Development and the National Interest: U.S. Economic Assistance Into the 21st Century. Report by the Administrator, U.S. A.I.D., February 1989.

Second, consistent with the findings contained in the above reports we urge the subcommittee to adopt the provisions contained in the House passed H.R. 2655, Section 1722, the Housing and Urban Development Guarantee Program which significantly broadens the thrust and potential effectiveness of A.I.D.s efforts to help the LDC's meet the shelter and community development needs of their poor. At the least, the bill your subcommittee reports out should include the House language in Section 1722(b) which provides "Such guarantee issued under this subsection shall guarantee 100 percent of the principal and interest payable on such loans."

Third, we urge that the subcommittee continue to recognize the important role of the U.N. Center for Human Settlements (HABITAT) and direct that the amount of the U.S. contribution to be at least, $1 million per year for the next two years. the funds to be specifically devoted to the implementation of the Global Strategy for Shelter to the year 2000, which was approved by the UN General Assembly at the end of 1988. The U.S. played a significant role in producing the strategy. We believe it is important, to the quality and strength of the global effort to implement the strategy, to have the U.S. recognize the strategy's critical role in helping third world countries achieve in support of sustainable economic development by designating this token amount of funds for its implementation.

The $1 million annual token contribution can help UNCHS improve its effectiveness in a number of ways: U.S. support should help attract additional funds from other countries and enhance the collaborative nature of donor efforts to help the developing countries meet pressing problems at the community level. It can help UNCHS improve the effectiveness of the community-based and other non-governmental organizations and strengthen the intermediary roles they can play as advocates for the poor. Sustainable economic growth is dependent on the relative efficiency of existing community systems and networks.

A copy of the Executive Summary of the Global Strategy for Shelter to the Year 2000 is attached and it is requested that it be included as part of the hearing record.

Our perception of the magnitude and importance of problems urban growth and development pose for the developing countries is a product of, among other things, U.S. AID's own experience with its Housing Guaranty Program over the last 25 years. Also, other nations' foreign assistance programs and those of international assistance agencies such as the United Nations Center for Human Settlements (HABITAT) and the World Bank, increasingly share this view of Third World shelter and settlement problems and the opportunities for their solution.

Our basic recommendation is that aid to developing countries should be increasingly devoted to helping the poor gain improved access to decent shelter, social and health services and job opportunities. Development assistance to be effective, must flow through democratically controlled community-based institutions and include not only local and regional governments but also private sector entities, non-governmental organizations and other community-based organizations.

Communities are the physical expression of economic and social activity. No creative act takes place without being influenced by community life. Viable communities are a prerequisite for social and economic development. Places where people can live, learn, and work in conditions of safety, comfort and efficiency are a fundamental and elementary need. Social progress for sustainable economic growth is dependent on the relative efficiency of existing community systems and networks.

Investments in community development will not only help provide more adequate housing, infrastructure and social services but should also contribute to the building of an engine of internal economic growth.

Employment generation is one of the most formidable problems facing the developing countries. Their labor force is estimated to increase by some 450 million between 1980 and 2000. Although agriculture is still the largest source of employment in the developing countries, industry and service shares in employment are increasing rapidly, indicating employment potential is probably most promising in the cities. Thus, the creation of job possibilities in the non-agricultural sectors appears to be the most practical course to follow for most developing countries.

Moreover, increasing mechanization in the agricultural sector makes it logical to assume on-farm employment will only be able to absorb decreasing shares of the projected increasing workforce. In the absence of other options, the migration to large urban centers will continue.

The other best option requires the transformation of a traditional subsistence agriculture to a diversified rural sector producing for both national and international markets. It will require the development of a system of decentralized settlements with emphasis on intermediate and small community centers to provide services for the rural economy acting as processing and storage places for agricultural products. Such centers are critical to the development of a viable agricultural sector and should play an essential role in providing off-farm employment opportunities.

The developing countries have been unable to cope with urbanization. Today, over 1 billion persons are living as squatters, in shacks, or on the streets without access to potable water, electricity, sewer systems, transportation, health and family planning services, educational opportunities or access to decent jobs.

The United Nations reports that for the period 1980-84 just 5 percent of concessional aid and 6.5 percent of non-concessional loans went to projects which sought to improve shelter and the neighborhood environment in the developing countries. Other reports on the history of aid to developing countries suggest that over 90% of all assistance has gone to rural areas notwithstanding the demographic changes that have taken place over the last three decades.

Experienced development professionals, in AID, as well as in most of the other major international donor agencies, generally agree that the seemingly overwhelming problems of shelter and community development in the developing countries can be mitigated. The solution lies in developing maximum reliance on individual families, organized at the community level, support nongovernmental organizations and the private sector and in the concentration of the government's role to do those things that individuals cannot do for themselves.

UNCHS has been effective in initiating efforts consistent with these objectives: programs designed to help the poor by providing access to training, technical assistance. appropriate building materials and information about how other communities have addressed problems similar to their own. Such assistance is extended either directly to local governments or indirectly through non-governmental or community-based organizations.

The Global Strategy for Shelter to the year 2000 for developing countries is based on the concept of human settlements as a framework for development management and is based, in part, on the following principles:

- that social and physical improvements carried out as part of a community improvement program are primary contributors to the strengthening of the economic structure as well as being a fundamental purpose of government.

- that the measure of a county's development is not how well it promotes the well-being of the few, but how it improves the lives of the many who are poor.

- that governments must be the facilitators of change rather than blunt instruments to restrict initiative; that they must be a positive force in encouraging democratic community action, in helping the poor mobilize the energy and skills they possess to help themselves construct and improve their shelter and their communities.

- that government's role as an enabler is especially important at the local level and that adequate authority should be delegated to the community so that the interventions essential to provide the poor with access to land, infrastructure, reasonable building codes and standards and resource mobilization can be achieved.

- that effective management skills and administrative capacity are essential at the municipal level along with a willingness to work closely and effectively with grass-roots community-based and other non-governmental organizations.

- that the involvement of community-based organizations and other non-governmental organizations should be facilitated and supported, without in any way compromising their private and independent nature, so that they can act as innovators and voices of change on behalf of the poor and help mobilize the low-income communities to action; help produce shelter options affordable to the poor and acceptable to governments; help reduce the financial and management burdens of government: and help facilitate community participation in the planning and construction of neighborhood housing and infrastructure.

- that the participation of the private sector is essential, particularly in providing financing resources, access to land and home-ownership and in the mobilization of other non-governmental resources in partnership to be devoted to improved shelter for all.

The past 15 years have been characterized by an unwillingness, on the part of important interest groups, individuals, and members of Congress and successive Administrations to appreciate the fundamental role that shelter and settlement programs must play in advancing sustainable economic development in the LDCs. The character and extent of earmarking foreign assistance funds in the past indicates the serious problems faced by proponents of shelter and community improvement programs in competing for additional support and program resources and broad world-wide acknowledgement of the seriousness of the shelter problem itself. How U.S. Private Voluntary Organizations (PVOs), NGOs, and governmental agencies as well as major international donors view the range of problems faced by the LDCs and how they feel foreign assistance to LDCs should proceed, help us understand the formidable obstacles we face in trying to implement the UN Global Shelter Strategy.

Foreign assistance special-interest-group organizations appeal to Congress to earmark funds specifically for their particular cause, e.g. hunger, agriculture, population control, health, etc. They are basically interested in maximizing the level of U.S. support for these single issues.

Based on the record of experience, existing law, Congressional hearings and actions, the following generalizations seem warranted about the nature of prevailing development assistance concerns:

Many representatives of the special interest groups feel that cities are a part of the problem, not a part of the solution. They think of cities as being the places where the ruling elite reside, maintain their followings and also maintain social order in part by subsidizing food prices to the detriment of the peasants and farmers. Many apparently still believe that rural populations predominate in all the regions of the world, and that they will continue to predominate forever.

Improved agriculture, increased food production, hunger and poverty alleviation are considered among the most important challenges to be met in the developing world. Moreover, it has been suggested that "food strategies, to be effective, must bypass both the rich and the city dweller which will not be easy since Third World governments are all kept in power by those same groups.

Hunger in the LDC's generally considered the most immediate problem to be addressed by the Western nations. Many of the participants in these humanitarian programs apppear to believe that meeting the immediate need for food to avert starvation is absolutely the bottom line. The total preoccupation with short-term humanitarian relief seems to have left little or no room for a long-term commitment to development. Little thought seems to be given to anything beyond meeting the next emergency.

Equal in priority is the physical environment. It is considered at risk, and pollution and uncontrolled population growth are considered probably the most serious threats to our global future.

Accordingly, the U.S. should ensure that our bilateral efforts focus on enhancing the agricultural resource base, promote environmentally sound food production, meet energy needs in ways that are environmentally sustainable while minimizing global warming, conserve tropical forests and biological diversity, and stabilize population. Halting population growth is fundamental to improving the quality of life on earth.

Proponents of these unquestionably important causes are articulate, well-informed advocates who have managed to aggregate considerable resources to support their causes from the U.S. government, the corporate community, the major foundations, not only in the United States, but from elsewhere in the world.

Finally, there is the strong feeling that foreign aid assistance should be increasingly funneled through PVOs and NGOs and that continuing to deal directly with governments at any level has been and probably will continue to be largely unproductive. That view, and unfortunately experience, has shown that a large proportion of assistance that goes directly to central governments will be diverted from target programs and populations into the hands of corrupt, inept, and unfeeling politicians and bureaucrats. Government at all levels is suspect. Clearly they correctly favor a bottom-up approach to problem solving, and they see self-help as critical. But, unfortunately, building a competent local government structure staffed with trained public administrators and technicians is generally not seen as a high priority issue, nor does it appear to be considered a mandatory long-term goal.

Much of the above criticism of existing foreign aid programs is relevant, largely accurate, and unfortunately true. But it appears that these single-issue interest groups, in addition to ignoring urbanization and shelter and community development needs, have failed to address the issues of their choice hunger, environmental degradation and population growth, in a holistic way which recognizes the need to reasonably and democratically coordinate and prioritize support for the complex array of program actions they advance.

While the causes they espouse are unquestionably socially redeeming and enormously important, the approaches they take to their implementation assume the existence of an indigenous institutional arrangement which simply does not exist. They have set for themselves a series of exemplary goals but they have not yet addressed the really nettlesome problem of how to encourage the development of an institutional framework within which their various single causes can be prioritized, at the community level, and ultimately focused in a way which can make a contribution on a scale large enough to have a visible and significant impact on the LDC's and on the developing world. As a matter of fact, the implicit assumption seems to be that the proposed priorities of the interest groups are identical with the priorities of the poor and developing countries. This is obviously a questionable assumption. If we are to fully capture the support and enthusiasm of the people we are trying to help, we should be responding to their priorities, as they set them in a democratic way. Our agenda, however noble, should not set the course of their efforts to help themselves. Our role is to help them do their thing in the best possible way-to enable and facilitate only within the limits of available resources, not do it for them.

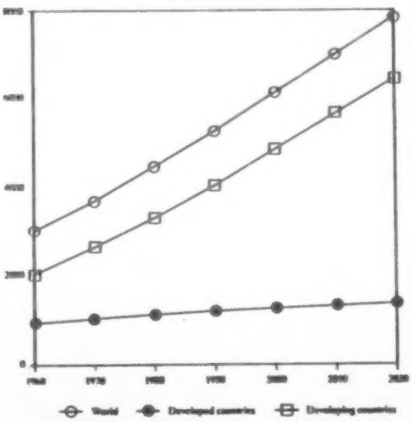
Thank you for the opportunity to file this statement for the hearing record.

GLOBAL STRATEGY FOR SHELTER TO THE YEAR 2000

Before the International Year of Shelter for the Homeless (IYSH) 1987, came to a close, the General Assembly of the United Nations concluded that the Year should be followed by a longer-term, implementation - oriented effort that could capitalize on the interest and momentum generated by IYSH and decided to launch a Global Strategy for Shelter to the Year 2000.

This summary provides a brief description of the objectives and recommendations of the Global Shelter Strategy to the Year 2000, as adopted by the United Nations Commission on Human Settlements in April 1988. It gives the rationale and operational principles of the Strategy and outlines the national and international actions required to achieve the objectives of the Strategy.

The Growth of Population, 1960-2010 (in millions)



RATIONALE

The inadequate shelter conditions of an estimated 1 billion people are a cause of grave concern to governments and the international community. While shelter problems afflict virtually all countries to some degree, the United Nations International Year of Shelter for the Homeless has highlighted, in the context of the continuing global recession, the shelter crisis that most developing countries face, particularly related to population growth and urbanization. If current trends hold, cities in developing countries, which already have enormous slum and squatter-settlement populations, will have to accommodate a further 750 million people by the turn of the century.

The Year has confirmed the urgent need for national and international efforts to accelerate the production and improvement of shelter, with particular emphasis on meeting the needs of the poor and disadvantaged. In order to address this need, the General Assembly has endorsed the proposal of the Commission on Human Settlements to launch a global shelter strategy to facilitate adequate shelter for all in the next 12 years. Shelter for all means adequate shelter conditions for all groups, irrespective of income, gender, age and physical capacity, in all types of settlements, ranging from rural hamlets and villages, through intermediate towns, to cities and metropolitan conurbations. Shelter for all means affordable housing which meets basic requirements of tenurial security, structural stability, natural lighting and ventilation and infrastructural support and which provides convenient access to employment and community services and facilities.

There are three important reasons why a global-level strategy is warranted. First, no country can claim to have solved all its shelter problems, and, therefore, all countries should make a commitment to meeting shelter needs; secondly, all countries have successful experiences to share with others, and global exchange of knowledge is essential to solving national shelter problems; and, thirdly, the sheer scale of shelter demand calls for a global effort based on the support of all nations.

Inadequate and insecure shelter, wherever it exists, will lead to social and political instability and will hamper physical and economic development. Therefore, the successful implementation of the Strategy will contribute to the achievement of favourable conditions for national growth and the development between nations of equitable political and economic relations.

The target date for achieving the global objective of adequate shelter for all is the year 2000. This target is close enough to strike a note of urgency but allows sufficient time to introduce the organizational, financial and technological changes needed to address the scale and nature of global shelter demand. These complex long-term strategy components will need to be introduced progressively over the next 12 years, according to national priorities and capacities.

BASIC PRINCIPLES

The right to adequate shelter is recognized universally, and all nations, without exception, have accepted some form of obligation to meet the shelter needs of their people. To address this obligation effectively, governments must make basic changes to their existing policies on shelter. The fundamental one is the adoption of an "enabling" approach, to mobilize and harness the full potential and resources of all possible actors in the shelter production and improvement process. An "enabling" approach implies that people will be accorded the opportunity to meet their housing requirements according to their own priorities and capacities.

As there are concrete and identifiable implications for women in shelter policies and shelter-related activities, it is necessary to secure their participation in shelter development at all levels and to remove any constraints to their access to adequate housing.

The "enabling approach" applies to both national governments and international organizations in their concerted shelter task. However, global shelter goals can only be met by national efforts, co-ordinated by each government acting in its own economic, social and cultural context.

NATIONAL ACTION

The Global Shelter Strategy is based on national shelter strategies to be developed by all governments. The practicality of a national strategy should be ensured by the full participation of all actors involved in the shelter-production process. A national shelter strategy defines targets for shelter output, identifies ways of making resources available to meet these targets and sets out the responsibilities and timeframe for the implementation of necessary measures.

There can be different approaches to the elaboration of national shelter strategies. In some cases, the State will play a leading role, without precluding private-sector participation: in others, the private sector will take the leading role, with only broad policymaking and institutional support from government. In either case, an "enabling" shelter strategy does not imply a reduction of governmental responsibility in the shelter sector but rather a concentration of public activities on highest-priority needs which can best be met by governmental intervention.

Although the ultimate objective of each national shelter strategy must be facilitation of adequate shelter for all by the year 2000, there cannot be a common timeframe for the implementation process in all countries, since the possibilities and requirements for achieving the objective differ from country to country. The timeframe required for every action component must be reflected in the over-all design of each national strategy.

There will need to be a scaling-up of housing programmes, which cannot be achieved by the traditional project approach. The goal must be to introduce new processes which activate and support the whole range of shelter producers. In this context, governments will need to consider a balanced approach to shelter upgrading and new shelter construction.

Attention will have to be given to rental housing. In view of the importance of rental housing in the total housing stock, particularly in low-income settlements, governments will have to come to some decision as to the promotion of rental housing as an effective way of expanding production options for shelter.

There will still be a need, for many years, for innovative strategies to deal with squatters and inner-city slum dwellers. It cannot be expected that the unaided private market will be able to solve the fundamental problems of squatters and other occupants of informal/illegal housing: overcoming these problems is entirely dependent on the introduction of new governmental procedures for which there are few precedents in the developed countries. The special concerns of inner-city slum dwellers might also call for innovative steps by governments to resolve the conflicts which often arise between this target group and private-sector interests, over land use and other urban development issues.

National shelter strategies will need to contain four complementary parts: (a) definition of clear and measurable objectives; (b) gradual reorganization of the shelter sector; (c) mobilization and distribution of financial resources in the sector; and (d) equal emphasis on improving the management of land, expanding the supply of infrastructure and increasing the capacity of the construction industry.

INTERNATIONAL ACTION

International action is crucial for the success of the Strategy, but certain conditions must be met in order to generate such action and make it effective. First, there must be a full recognition of the beneficial implications of the Strategy for national, regional and global development as well as for international co-operation. Secondly, the operational implications of the Strategy must be reflected in development co-operation policy, starting with the international development strategy for the fourth decade. Thirdly, international action must be directed to enhancing and supporting national capabilities to develop and implement the national action components of the Strategy.

The Strategy can be reinforced by technical co-operation between developing countries. At the same time, there will still be a need for external assistance to developing countries from developed countries. However, recipient governments will have to demand that external assistance reinforce their national shelter strategies, while governments providing external assistance should review their over-all development co-operation programmes to ensure congruity with the Strategy and with national action programmes.

International organizations should devise their own shelter strategies in accordance with the over-all Global Shelter Strategy. In particular, they should review their programmes and policies in other sectors and be ready to revise their institutional structure to reflect new perceptions of interactions based on the Strategy.

MONITORING AND EVALUATION

The Strategy gives the framework for continuous progress towards the goal of facilitating adequate shelter for all by the year 2000. In order to assess the progress made, national and international action, including the work of intergovernmental and international non-governmental organizations, will need to be monitored and evaluated on a regular basis, and the Strategy must be periodically reviewed and revised on the basis of these evaluations.

UNCHS (Habitat) will act as the co-ordinating and monitoring agency for the implementation of the Strategy. As the co- ordinating agency for the Strategy, UNCHS (Habitat) will have to stimulate international and national action by incorporating the targets of the Strategy in its future medium-term plans and biennial work programmes. The Centre will also prepare a reporting format, to facilitate monitoring of progress by the Commission on Human Settlements. Monitoring will need to be based on rigorous national indicators which should guide progress reports by governments and agencies at the biennial sessions of the Commission.

The Global Shelter Strategy is predicated on the dual belief that its objectives are of fundamental importance and entirely reachable. Not only must adequate shelter for all be pursued as a means of improving world conditions, it is also attainable as a specific objective within a specified timeframe, given sufficient popular support and political will.

STATEMENT OF OTILIE ENGLISH

Thank you Mr. Chairman for the opportunity to share with you some of my concerns that the continuing crisis in Afghanistan will not soon abate and that freedom will not be restored to the region without both continued U.S. military and humanitarian assistance as well as political guidance to the Afghan Freedom Fighters. I would also like to discuss some of my experiences during my trips inside Afghanistan that dispell the myth of a surge of fundamentalism in the region and how fundamentalists could influence any future government. It is my firm belief that without guidance and aid, this conflict will continue well into the next decade and the ensuing instability will cause irreparable and permanent harm to neighboring countries, most notably, Pakistan. The issue of peace cannot be addressed without the assured repatriation of all refugees with a promise of dignity, freedom and a government that is of their choice and in their best interests.

The Geneva Accords, which Pakistan signed under some duress from the United States, guaranteed that we would provide both humanitarian and military assistance to the Mujahideen so long as the U.S.S.R. continued propping up the puppet regime in Kabul. Within the last two weeks a massive shipment of armaments arrived including tanks and artillery to Kabul from the Soviet Union, as well as a huge convoy of gasoline fuel trucks to relieve the shortages in that city. It was escorted through the snow-capped peaks by a large flotilla of HIND helicopter gunships that the mujahideen were unable to disturb because the supply of Stinger missiles which has previously rendered the HIND defenseless has been cut to a trickle. It is not only the supply of Stinger missiles which have been decreased but other important weapons such as the long-range Spanish 120 MM mortars, RPG-7 anti-tank weapons and Lightfoot mine-clearing devices. Without a steady supply of these weapons, the Mujahideen cannot hope to topple the regime in Kabul, the millions of refugees will have no assurance of returning to their country in safety, and peace will have no chance in the region.

The very idea that shutting off the aid will speed the political process and perhaps create an atmosphere that might encourage a political settlement is a deeply flawed one. In the first place any Afghan leader that would agree to a coalition government with any of the Communists in Kabul would be automatically scorned by the other leaders as well as the entire world Afghan community. It would be as if we suggested that the Jews that survived the Holocaust form a coalition government with the Nazis after World War II because everyone should forgive and forget in a perfect world. And it is tantamount to a return to the old program of National Reconciliation abandoned by the Government of Najibullah after it's total failure in attracting any significant commanders and their followers.

A fresh political atmosphere must be created with respect to the relationship between the Mujahideen groups and the United

States. A good start has been made by the appointment of a special ambassador to the interim government but in order for him to be effective, to remain aware of the intricacies of the politics of the region and to form a relationship with the leaders, it is necessary for him to be stationed in Pakistan. As I found during my six-month stay in the region, one cannot possibly understand the intricacies of Afghan politics without total immersion and equal access to all political groups. Also the role of Pakistan's Inter Services Intelligence Directorate (ISID) must be closely scrutinized on-the-ground since their exists an unbreakable if somewhat unnatural alliance between it and the Mujahideen leaders. It has been my experience that Afghans, by their very nature resist domination or subjugation by any outside groups. This is why they have been heroically successful in their efforts to free their land of foreign troops, but this is also why we must let them fight their own war in their own way.

It is important to realize that should military aid and humanitarian support diminish or be eventually terminated, a vacuum will be created. This vacuum in our absence will be filled by other powers undoubtedly hostile to the United States. An example of this is the surge of Wahabi support in the Kunar valley. The Wahabis are a small sect currently existing in Saudi Arabia, hostile to the United States and proponents of a radical fundamentalist government for any future government in Afghanistan. They have so far bought their way into Afghan politics by spreading huge wads of cash through the region. The Afghans dislike the Wahabis since their radical brand of fundamentalism is alien to the region but just as a drowning man clings to any life raft, they accept donations from groups that will assist them in bringing about the fall of Kabul.

This dislike for the Wahabis was demonstrated for me in a very graphic way during one incident that I witnessed inside Afghanistan. As we were leaving the Kandahar region to return to Quetta, we came across several Wahabis who were returning along the same route. Because of road conditions and the fact that we were trying to avoid spotter planes flying overhead, we were forced to share shelter under the branches of a pomegranate orchard. The Wahabis had begun to deride the Afghans by telling them that they were not good Muslims because they did not pray correctly, had been perverted by Sufism, etc. A fight ensued and the Wahabis were expelled from the party of Afghans that they were travelling with. I have been told that this is a common experience.

During my travels with the Mujahideen I liked to ask direct questions about what kind of government they would like to see in Kabul after the war. Almost without exception the answer was the Loya Jirga or "Grand Assembly" which dates back 800 years in Afghanistan and is one of the earliest forms of democracy. While it is not a strictly one-man-one-vote democracy and therefore flawed in many Western eyes, it is their form of democracy and should be encouraged.

Please bear in mind that the men that I spent time with inside Afghanistan are basically illiterate tribesmen, some of which had never worn decent shoes and had never seen a computer or a neon sign. At the same time they are the real heros of this conflict rather than the Afghans who have spent most of the war in the comfort of air-conditioned houses in Peshawar or Islamabad. When asked who they envisioned for a future leader of Afghanistan, most Afghans told me that they would like to see a commander as their President rather than any of the seven leaders in Peshawar or a return to Monarchy.

I never felt uncomfortable or intimidated during my stay inside because of my nationality, nor did I hear derisive anti-American sentiment or railings about the "great American Satan" that I have read about in the newspapers. For that reason I feel that the call to shut off aid to the freedom fighters because of a perceived threat of radical fundamentalism in the area is a ruse conceived by elements that have always hindered their cause and that are now promoting a "coalition government" with elements of the communist PDPA Party (People's Democratic Party of Afghanistan. I have seen this time and time again and heard this from supposed peace groups that glean most of their knowledge from Peshawar or Kabul rather than from inside Afghanistan where the real fight is taking place. These are the same people that stated years ago that the Afghans couldn't win this fight and that arming them and supplying them with lethal weapons was a policy doomed to failure and that would lead to unnecessary bloodshed. They have been wrong in the past and are wrong today. Although I am not an arms expert nor a military expert, I believe that what I saw and sensed inside the country last year was a viable experience that gave me a taste of the hopes and aspirations of most average Afghans. I believe that to abandon them now, by cutting off or restricting military aid to the Mujahideen would be the worst mistake that we could make, would assure deep resentment from the Afghan people, would give more life to the illegitimate communist regime in Kabul and would contribute to an increase in instability in the region.

STATEMENT OF OLIVER FOOT

Since 1980, the United States Agency for International Development has provided Project ORBIS with consistent annual support. Without the vital help of U.S. AID, ORBIS would not be in existence. By supporting the Project with one third of its budget needs, the United States has a very visible and powerful ambassador which is promoting cooperation between all nations and restoring sight to countless thousands throughout the world. To provide a humanitarian present to the world which is non-political and independent, with the sole interest of combatting world blindness wherever it may be without concern of race, politics or creed: this uncompromised generosity is at the core of the American heart.

ORBIS has shown that blindness knows no boundaries. The populations and government leaders of 55 countries across the world in Europe, Africa, Asia, and Latin America, including the Soviet Union and China, are well aware that this extraordinary world communicator and practical educator is provided to them by the United States.

Project ORBIS is, without question, an ASHA-funded program that is working. We are complying with the full intent of Congress, and you can be extremely proud of the work we are doing on behalf of you and the American people. However, in order for Project ORBIS to continue it's work around the world, increased support is vitally needed. Requests from countries for training programs, both with and without the plane cannot be met by the Project without increased funding. Last year, ninety-three percent of all of ORBIS's funds went directly to its program in the field. Nothing can be cut without directly affecting delivery of vitally needed services.

On behalf of the thousands of blind people across the world who have had their sight restored by ORBIS and the 55 nations who have welcomed ORBIS, we urge Congress to increase its support to Project ORBIS so that it can continue its work of restoring sight, vision and peace across the world.

PROGRAM OBJECTIVES

Blindness is a problem of epidemic proportions. Forty-six million people in the world are blind and conservative estimates count over a third of a billion more have eye diseases or disorders that can lead to blindness. The real tragedy of blindness is that 80 percent could be prevented or treated with surgical intervention; a tragedy that affects us all.

The objectives of Project ORBIS are to help combat world blindness through education and to promote peaceful cooperation among nations. Developing countries around the world have common barriers that prevent them from dealing effectively with blindness. These barriers include:

- a limited number of trained personnel;
- few opportunities for continuing education in eye care;
- a lack of supplies, materials, and equipment;
- restrictive government policies and cultural attitudes.

Project ORBIS's programs are designed to overcome each of these barriers. ORBIS offers continuing medical education to ophthalmologists, nurses and other health care personnel at all levels. In addition, ORBIS leaves necessary ophthalmic supplies in each country it visits; all these supplies are donated to ORBIS by pharmaceutical companies in the United States. ORBIS is also in contact with high-level medical and government officials who have, in the past, actually changed government policy in order to promote improved eye care or to set up eye banks in their respective countries.

Apart from its medical successes, ORBIS has proven to be a valuable diplomatic ambassador, bringing people together from many backgrounds and cultures. To date, having carried out 92 missions in 55 countries, ORBIS has received the endorsement of the Secretary General of the United Nations and 55 heads of state including President Bush and President Gorbachev.

HISTORY

Since its first flight in 1982, Project ORBIS has pursued a dual objective: to combat world blindness through education and to promote peaceful cooperation among nations. The ORBIS teaching hospital is housed inside a DC-8 jet which was donated by United Airlines in 1979. The aircraft gives ORBIS the unique capacity to offer intensive hands-on programs to medical communities around the world which enable doctors of different countries to work side by side, unhampered by national licensing laws. The teaching facility inside the plane consists of an examination/laser treatment area, an operating room, a recovery room, an audio/visual television studio, an 18-seat classroom, a scrub and substerile area and a library for video tapes, textbooks and current journals. During each program, host doctors seated in the classroom on board the aircraft and in remote classrooms set up at the airport watch live surgery via audio visual systems.

During the past eight years, more than 300 internationally known ophthalmologists have donated their time and expertise to demonstrate over 7500 successful surgical and laser procedures to approximately 8000 host-country ophthalmologists. Although ORBIS is a teaching facility and not a hospital or clinic, its staff has successfully restored sight to 7500 patients who could not otherwise have afforded treatment.

ORBIS has spent 90% of its time in developing countries where the need for continuing education is most urgent. In addition, ORBIS has visited industrialized nations, such as Germany, France, England and Spain, where the level of ophthalmic skills is very sophisticated. These visits, which entail a high-level exchange of skills, allow ORBIS to videotape innovative surgical skills and to update the video library on board the aircraft in order to disseminate these skills to other countries where they are appropriate for use.

During its first year of operation, ORBIS conducted programs in fifteen countries. These programs emphasized the hands-on transfer of surgical skills. During its *second year*, ORBIS was invited to return to countries already visited, thus permitting an evaluation of previous missions in addition to an exchange of new skills and procedures. That same year ORBIS augmented its efforts against blindness by offering skills exchange programs to other personnel involved in ophthalmic care, such as ophthalmic nurses. Since the role of nursing in eye care is both supportive and independent of the ophthalmologists, ORBIS developed courses that specifically addressed these aspects of nursing practice.

In 1984, the ORBIS tour of Africa marked a turning point in ORBIS's evolution as an organization. In Malawi, where two or three ophthalmologists serve a population of 7 million, ORBIS expanded its surgical program to include 26 ophthalmic assistants and 12 nurses who provide services such as health education, primary eye care and surgery to the local population.

After Africa, ORBIS organized the exchange-of-skills program into four components: first, the exchange among ophthalmologists and anesthesiologists; second, the exchange among nurses; third, the exchange among medical technicians. The fourth and newest component of an ORBIS program is in community eye care (CEC), which focuses on prevention and early detection and treatment of potentially blinding eye diseases. CEC, which was formally integrated into the ORBIS program in 1985, encompasses primary health care, health education, as well as training for a range of existing and potential eye care workers -- from village health workers to general practitioners to schoolteachers.

In response to the needs of former host countries, over the past 3 years ORBIS has developed additional programs in specialized areas of surgery, nursing and in community eye care. These programs, independent of the aircraft, enable ORBIS to establish an ongoing relationship with the local ophthalmic community and to evaluate its long-term impact as an educational tool. Consistent with the aircraft programs, they are tailored to the needs of each country. Since 1986 these off-plane exchanges have been held in over 20 countries, including Sudan, Jordan, Trinidad and Thailand. At the same time, the ORBIS aircraft has carried out 46 missions, continuing in its dual role of goodwill ambassador and effective tool against blindness.

PROGRAM COMPONENTS

SURGICAL SKILLS EXCHANGE

The surgical exchange between visiting and host ophthalmologists has proven to be an effective means of upgrading and enhancing the skills of ophthalmologists in each country visited. Patients treated on board ORBIS are selected during screenings, usually held at the beginning of each week of the program. These screenings are, in themselves, valuable opportunities for visiting and host doctors to discuss examination techniques, diagnosis, pathology and treatment alternatives. Those cases which best demonstrate a specific disease condition, and are therefore good teaching cases, are chosen for surgery from the initial screening.

Three to five surgical operations take place each day on the aircraft. (Laser treatment, a non-surgical procedure, takes place throughout the day in the front of the plane.) In the operating room the visiting surgeon is assisted by a host country ophthalmologist: when roles in the operating room are reversed, the host doctor performs the surgery and the visiting doctor assists. Eleven cameras situated throughout the aircraft, including one mounted on the operating microscope, transmit the live surgery to the 18-seat classroom on the plane where additional host doctors watch as the operating surgeon narrates his progress. Microphones make possible two-way communication between the operating surgeon and the 20 doctors in the classroom. A peripheral classroom with the same audio/visual and communications capabilities is set up at the airport to accommodate up to 500 doctors. ORBIS focuses on instructing the "teachers" within the ophthalmic community so that the skills acquired will continue to be disseminated after the plane's departure.

NURSING SKILLS EXCHANGE

An important component of the program with the plane is the nursing exchange that takes place concurrently with the surgical exchange. ORBIS nurses conduct hands-on training in sterilization techniques, instrumentation and patient care to host country nurses. Once again, the ORBIS program focuses on teaching the instructors, in this case, head nurses. The training takes place both on board the aircraft and in the local hospitals. Evening lectures are held at universities for nursing students. As with the surgical program, ORBIS recruits volunteer nurse educators and specialists to supplement the faculty of ORBIS nurses. An important goal of ORBIS's program is to document the level of nursing care and the organization of nursing care delivery systems so that it can share this information with nurses in other countries with similar conditions.

In response to the demand for intensive training programs from former host countries, ORBIS formalized its commitment to continuing education by establishing an itinerary of off-the-plane surgical and nursing training programs. This was another important step in ORBIS's establishment of a lasting groundwork for the worldwide treatment of curable blindness.

COMMUNITY EYE CARE EDUCATION

ORBIS's CEC efforts have emphasized training and education, such as courses on primary eye care for GPs or public health nurses; promotion and advocacy, such as public service announcements on common eye diseases; and development and dissemination of materials, such as training videotapes. ORBIS's first planned CEC activity was a health communications workshop for ophthalmic assistants held in 1985. The following year a CEC unit was formally established at ORBIS, and so far, activities have been organized and held in fifteen different countries, either in conjunction with the plane's visit or separately, and always tailored to the specific needs of individual countries. A year-long collaboration with Peru's National Eye Institute is ORBIS's first effort at providing long-term support to help strengthen indigenous institutional capacity for implementing blindness prevention programs.

SUPPLIES, MATERIALS AND TECHNICAL EXCHANGE

ORBIS donates medical supplies and educational materials to each host country at the end of every mission. These supplies, which are gifts to ORBIS, include items such as sutures, needles, medications and intra-ocular lenses. Materials include vision acuity charts, public service announcements and a video library of surgical procedures for reference and further education.

During each program, ORBIS bio-medical engineers hold a technical exchange with their local counterparts. In country after country, ORBIS engineers find equipment that could be used to upgrade the quality of local eye care but that is in disrepair. In each case they teach local medical technicians how to repair and maintain existing medical equipment as well as equipment the host doctors intend to acquire. These engineers also work to ensure that any donations of equipment secured by ORBIS come with an ongoing service contract.

PUBLIC AWARENESS AND GOVERNMENT POLICIES

ORBIS is a stimulus for action, as its presence rivets a country's attention to the threat of blindness and the importance of eye care. During each ORBIS program, the activities on and surrounding the ORBIS plane are followed closely by the host country's government and media.

Evidence that an ORBIS program raises the consciousness of the public and the policy-makers is the fact that the Project has influenced several countries in their decision to repeal laws restricting corneal transplants and the use of donor tissue, thus permitting the establishment of eye banks. In many countries, local laws permit donations; due to custom and public misconception, however, few donations are made. This situation has changed where ORBIS has acted as a catalyst for the reform of laws and public policy relating to eye care and eye banking.

INTERNATIONAL COOPERATION

Host country doctors and heads of state often remark that ORBIS has been extremely successful in promoting international cooperation and goodwill by providing a neutral forum where medical and political leaders can come together in a spirit of peaceful cooperation. For example, at the conclusion of its 1987 mission to Cyprus, the Secretary General of the United Nations, Javier Perez de Cuellar, wrote to the ORBIS Executive Director:

> It is my personal conviction that beyond the new hope it brings to the visually impaired and the exchange of medical skills for which it is widely appreciated, Project ORBIS also has a most positive impact when it brings together peoples and communities who have been separated by mistrust and conflict. That it was able, for the second time since 1984, to do precisely that in Cyprus is a tribute to the importance and quality of the work performed by the staff of your unique project.

STATEMENT OF THE HEBREW UNIVERSITY OF JERUSALEM

Mr. Chairman and members of the Subcommittee, it is a pleasure to address you today regarding the work of the Hebrew University's International School of Agriculture (ISA). As you know, the School of Agriculture was founded in 1984 to serve as a vehicle through which agriculture is taught to students from many countries around the world. There are several characteristics which make the ISA unique and particularly suitable for the task.

The teaching staff of the ISA have all been either trained or exposed to U.S. agriculture and agricultural research. The teachers also have considerable Israeli experience, as well as a proven track record in agricultural development in the developing world.

There are various established institutionalized programs that assure continued international updating of the ISA. The U.S. - Israel Binational Agricultural Research and Development Fund (BARD) is one such example. Agricultural scientists in the Faculty of Agriculture, teachers at the ISA, carry out many research projects jointly and cooperatively with U.S. scientists. BARD considers some 200 research proposals a year for U.S. and Israeli scientists and supports about forty of these proposals. Some 2,000 scientists in Israel and the U.S. and elsewhere are regular referees of these proposals. The keen competition is an assurance of the highest quality selection. The worldwide exposure to referees puts the Faculty of Agriculture and ISA teachers in close contact with the cutting edge of agricultural technology. As a result of BARD research, many scientists from virtually all American Land Grant Universities and USDA/ARS visit the ISA and the Faculty of Agriculture quite regularly.

Another established program which has considerable international impact and which assures the ISA of excellence and relevance is AID's CDR program. There are about two dozen research projects between members of the teaching staff of the ISA and colleagues in various countries in the developing world. The research is financed and monitored by AID experts and is selected by them in line with AID professional and national priorities. This program leads to meetings in Rehovot of agriculturalists from the whole world. It also assures that courses at the ISA are relevant to the problems of the developing world on the one hand and are related to U.S. interests on the other.

There are other American interests which impact the ISA and the Faculty of Agriculture. One is the Seagram Center for Soil and Water Research financed by Seagram Inc. Another is the Koret School of Veterinary Medicine where considerable research on tropical diseases is performed.

The ISA is a good example of U.S.-Israeli cooperation in agriculture. A recent independent economic review of U.S.-Israeli BARD supported projects indicated that benefits to U.S. agriculture from U.S.-Israeli research exceed $521 million.

Mr. Chairman, on behalf of the International School of Agriculture, its faculty, students and Board members, as well as the thousands of citizens of the developing world who have benefited from our work, I would like to thank you and your colleagues for your unstinting support over the years. It is because of your vision and dedication to the ideals of joint U.S.-Israeli scientific and technical cooperation that the benefits of modern agronomy are now rapidly finding a home on the continents of Africa, Asia and the Americas. It is our hope that the Committee will once again go on record in support of our work by including language in its FY 1990 report similar to that provided last year.

As you know, our funding request to the American Schools and Hospitals Abroad Program (ASHA) for the next year is $1.7 million. This money, critical to the operation and maintenance of our program, will be used to support technical assistance in developing countries and to advance innovative ideas in agriculture jointly pioneered by Americans and Israelis. In this way we believe we fulfill ASHA's basic mandate which is to serve as a study and demonstration center for ideas and practices of the United States. We are grateful to you and the Committee for supporting this view.

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